The Inflation Reduction Act: A Guide for Leaders of Public Power Utilities
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Public power is poised to recognize some of the most significant opportunities from the Inflation Reduction Act (IRA) — if utility leaders step up to lead. As not-for-profit utilities serving a public good, it is the job of elected and appointed leaders at municipal utilities and public utility districts, as well as their staff, to deliver the best possible service to their communities. The IRA presents to them an unprecedented amount of funding to do so if they know where to look and what questions to ask.

With more than $369 billion in federal investment into clean energy, transportation and building electrification, as well as pollution reduction, the IRA provides a significant down payment to drive forward utility programs that will reduce emissions and advance community prosperity. Serving approximately 49 million Americans in thriving communities from Tallahassee to Seattle, municipal electric utilities will be crucial delivery partners to bring the IRA’s benefits to fruition for communities across the country.

This report was created to lay out these opportunities for public power utility directors, staff, and city leaders. In it, you will see pointers to specific programs to drive forward clean energy deployment, electrification, and local economic development. You will also find information on where to learn more about these programs.
Further, this guide highlights key programs like direct pay—which for the first time enables munis and public utility districts to benefit from clean energy tax credits without a middleman—and the new Department of Energy Existing Infrastructure Reinvestment program, which will lower costs for clean energy projects repurposing muni-owned energy assets like transmission capacity, fossil plant facilities, and existing interconnections.

This report also highlights many of the consumer-oriented programs which, while not necessarily run by the muni or city government, will drive significant cost savings to residents, grow and shift electricity demand, and open opportunities for new or strengthened demand response programs.

Finally, this guide highlights the already catalyzed potential for the IRA to drive local economic benefits—from pollution cleanup to jobs in new lower carbon industries and regional manufacturing economies. Utilities will be crucial partners in this growth.

Across the diverse public power governance structures, community input and collaboration will be key. Elected and appointed directors will need to collaborate with utility staff. Municipal utilities and public utility districts will need to work side by side with their municipal government, who will also be critical implementation partners. And, local utilities and the Joint Action Agencies (JAA) that serve them can drive forward action through communication and shared programs.

This guide has been written as an introduction to major provisions with the IRA to inform public power leaders and staff about this historic legislation’s investment in local energy systems and communities. This piece builds upon the recommendations within the Guide for Municipal Utility Leaders published in 2022, which outlines opportunities for munis navigating the transition to a 100% clean energy future. Side by side, these documents provide a “how-to guide” for public utilities building towards the 100% clean energy future, combined with pointers to specific pools of funding available in the IRA to help munis achieve their goals and invest in communities.

Within the IRA, munis will see multiple opportunities to drive value for their communities. The IRA is a catalyst for local economic development.
These programs can help build community wealth through direct muni ownership of new clean energy projects. They can drive beneficial electrification, improve local housing quality, reduce household bills, drive electrical load growth, and increase resilience.

The IRA includes programs that will benefit both owners of generation and transmission assets as well as those which only operate their local distribution grids within public power. Ideally, partner utilities will collaborate to deliver the lowest cost, highest value solutions for the communities they serve.

The IRA includes provisions that will help munis:

- Build and own low-cost clean energy solutions
- Reduce the household cost of beneficial electrification, delivering both customer and utility value
- Address energy burden, environmental justice, and improve community health

This guide groups IRA provisions according to these categories. Each section ends with a recap of key provisions, for easy reference. Finally, it highlights three case studies demonstrating how real municipalities with public power utilities can leverage IRA provisions to drive community investment and cleaner energy today.

Case studies detailed in this report include:
- Columbia and Sikeston, Missouri – reinvesting in existing fossil assets
- Lansing, Michigan – achieving environmental justice goals
- Seattle, Washington – accelerating electrification

As publicly owned, democratically-governed utilities and community anchor institutions, munis can benefit enormously from new Federal funding. By ensuring utility staff are aware of potential programs, asking the right questions at board meetings, encouraging updated resource planning in light of the transformed economics behind clean energy technologies, and transparently building a plan with deep input from customers, city and utility leaders will play a large role in bringing the full benefits of new federal resources home to their community.

But, these benefits require munis and their leadership to be proactive in
leverage this generational opportunity – while money is on the table.

Together, public utility leaders and staff can leverage the IRA to bring equitable, cost-effective clean energy solutions for families and businesses in the communities they serve.
The IRA is centered around significant investments that will empower munis to speed the deployment of low-cost, clean energy. About 42% of the IRA energy funding applies to power sector investments, and munis have a lot to gain. This includes new pathways for the direct community ownership of wind and solar power, as well as provisions that fund the repurposing of existing infrastructure for new purposes.

Specifically, municipal utilities can benefit from:

1. New “direct pay” provisions that allow municipalities to realize the value of clean energy production and investment tax credits without a middleman.
2. $1 billion in funding for clean energy procurement through the USDA made available to rural munis and small municipal energy providers.
“Direct Pay” Unlocks Community Ownership

Through the IRA's extension and modification of successful tax credits for renewable energy, an estimated two-thirds of IRA dollars will be delivered as tax credits. This investment will quadruple solar and double onshore wind capacity nationwide by 2030, alongside huge growth in domestic manufacturing.

Direct pay means that, for the first time, municipalities are eligible to recognize the full value of the tax credit without partnering with a company with a taxable liability. Previously, as a public entity without taxable revenue, municipalities and their utilities were not eligible to directly benefit from clean energy tax credits. With the IRA, the Treasury will send the muni a direct payment for the cash value of the tax credit they would have received had they had a taxable liability.

Energy Communities

Energy communities have powered our economy for the past century, and the IRA includes specific provisions to reinvest in those same communities so that they can continue to power the next century with clean energy technologies. Within the IRA, there is a 10% increase in the value of the ITC and PTC tax credits for projects that are sited within an energy community. This could be on a brownfield site, a coal community or a more hard-to-define community dependent upon a high proportion of energy jobs. Additional technical resources can be accessed through the DOE-led Interagency Working Group on Coal and Power Plant Communities & Economic Revitalization.
Direct pay is extended to munis for both production and investment clean energy tax credits.

- **Production Tax Credit (PTC):** The IRA extends the Production Tax Credit ([Sect. 45](#), Internal Revenue Code) for Electricity Generated from Renewable Sources until 2024, then replaces it with a technology-neutral Clean Energy Production Tax Credit in 2025. This qualifies certain facilities utilizing wind, biomass, solar, hydrokinetic and marine, geothermal, and landfill gas for the credits, if they meet emissions thresholds. There is an inflation-adjusted base credit amount of $0.03/kW. Utilities can realize higher credit value by ensuring projects meet prevailing wage and registered apprenticeship requirements (5x credit value), meeting domestic content requirements (+10%) or locating a project in a designated energy community like a brownfield site or coal community (+10%). For more information on energy communities, see Opportunity #3 below.

- **Investment Tax Credit (ITC):** IRA also extends the Investment Tax Credit ([Sect. 48](#), Internal Revenue Code) for renewable generation and replaces it in 2025 with a technology neutral net-zero Investment Tax Credit, which provides a tax credit equal to 30% of the project cost for solar, storage, geothermal, small wind, and microgrids. Like the PTC, the ITC increases 5x when a project meets prevailing wage and apprenticeship requirements, it increases 10% when meeting domestic content requirements, and increases 10% if located in an energy community. In addition, there is a short term opportunity for projects built in low-income communities or on Indian land to receive an additional 10-20% if construction begins before the end of 2024. Qualifying projects for this bonus program include wind and solar projects <5 MW and projects designed to serve qualified low-income housing projects.

Importantly, while many of the IRA’s programs are competitive and may not have funding available to all eligible projects, there is no pre-set budget for clean energy tax credits. They are uncapped. Credit Suisse estimates that Federal outlays through the IRA could be upward of $800 billion, more than double the Congressional Budget Office’s official estimate, due to demand for clean energy production and investment. Thus munis can and should push these programs to their maximum potential, and recognize that even if they are unable to deliver shorter
The Energy Infrastructure Reinvestment (EIR) program at DOE, which can offer low-cost loan guarantees for the clean energy repurposing of existing fossil fuel assets — provides a specific financial opportunity to retire expensive, polluting facilities and serve customers with a clean energy portfolio. For munis who have existing fossil generation assets, the EIR can be a source of very low-cost capital to support projects that reinvest in these communities.

This opens up new planning challenges and opportunities for utility leadership, as the retirement of a coal generator would likely be replaced with a portfolio of clean energy options that might include solar or wind, alongside storage, energy management technologies, efficiency and other solutions.

Utilities that have owned and wish to own generation or transmission assets will need to think more flexibly and creatively about their legacy assets and future investments. They will likely not simply replace generation capacity 1:1 with a single technology, but build a resilient portfolio of clean resources to serve that load. This may mean building not just generation — but storage, transmission, or consumer-facing energy management solutions. Leaders in the space will be thinking about how these different technologies and investments can harmonize to drive multiple values for the utility, as described in this guide to the 100% clean energy transition for muni leaders.

Reducing Emissions & Saving Costs with IRA funding

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The good news is that many of these investment and planning challenges are supported via the Inflation Reduction Act’s wider purview. These investments support both stronger grid interconnectivity via transmission and grid-edge and community-scale clean energy solutions.

For example, there is $2.9 billion within the IRA to advance transmission, including $760 million in grants to help site interstate transmission lines and $2 billion in direct loans for transmission projects. This indirectly benefits munis as the overall grid becomes more interconnected, but can also be utilized by those public power utilities—especially Joint Action Agencies—which have the financial capacity to invest in transmission infrastructure.
How JAAs can help deliver IRA benefits to their member public power utilities

The primary purpose of Joint Action Agencies (JAAs) is to allow public power utilities, which tend to be very small compared to their investor-owned counterparts, to access greater administrative, financial, and technical capacity required to deliver the best possible service to their customers.

When it comes to the IRA, many public power utilities may lack the awareness of the funding being available to them as well as the administrative capacity to then seek it out. On top of that, business-as-usual for many public power utilities doesn’t always lend itself to familiarity with the application processes required to access some of the IRA funds. This is where JAAs can play a massive role in bridging that gap. Dedicated staff at JAAs can help with needs assessment, providing or connecting members to grant writing expertise, and providing coordination with relevant programs, using their expanded administrative capacity to help funnel IRA funding to where it will benefit their members most.

The financial and operations contributions of JAAs also open up opportunities for smaller munis to invest—using IRA grants and Direct Pay—in technologies and projects that they may not have previously been able to, as well as projects which private companies would not otherwise pursue in smaller or rural systems. Technology that is heavily reliant on data (and the associated cybersecurity) which may be difficult to manage, such as advanced metering infrastructure, can be serviced by a JAA, allowing for greater electric distribution management and energy efficiency capabilities in communities serviced by public power. JAAs can also utilize Direct Pay for larger scale clean energy projects to help their members decarbonize their systems, and those which also operate as transmission developers can also leverage IRA funds to relieve their transmission of congestion for—if they are in a suitable region—access more of the renewable energy that will be rapidly expanding in the grid as Independent Power Producers also grow as a result of IRA stimulation.

From local distribution systems to economies of scale, in the IRA, JAAs will have a great opportunity to help their member communities meet their needs and their climate goals.
These provisions reshape the economics of the energy system, and public power leaders will be moving forward to understand how these changes will impact their utility—and seeking to leverage these funds.

To take advantage of these clean energy provisions, a muni leader should:

1. Encourage staff to update formal utility plans with revised cost estimates for clean energy.
2. Encourage staff to revisit plans for aging fossil generating stations, to decide if either DOE or USDA funding, combined with tax credits, makes earlier plant replacement attractive.
3. Map local energy communities to determine where energy investments will receive the extra 10% credit (more information on energy communities is defined in Opportunity #3 below).
4. Explore competitive all-source energy procurement to determine lowest cost, highest value solutions for clean energy sources.

**Program Recap:**

**Renewable and Clean Energy ITCs, PTCs**

USDT | 13101, 13102, 13701, 13702(h)

These Department of the Treasury tax credits provide incentives towards initial investments in clean energy projects (with limitations on technology type until 2025) and then continued incentives based on production throughout the project’s lifetime. Extra incentives are given towards projects meeting key labor provisions. These incentives are now available to tax exempt entities like municipal governments or nonprofit utilities in the form of Direct Payment.

**Energy Infrastructure Reinvestment Financing Program**

$5 billion, to guarantee $250B in loans | DOE | 50144

This DOE program through the Loan Program Office (also known as a 1706 loan) is designed to materially lower the cost of capital for projects that retool, repurpose, or replace existing energy infrastructure — including shuttered plants — or that lowers greenhouse gas emissions in currently operating energy infrastructure. This program, designed for larger-scale projects, could be of particular interest to JAAs or munis that directly own aging fossil infrastructure, and munis or JAAs seeking solutions that benefit energy communities.

Program Website | Deadline, rolling through 2026
Rural Renewables Loans—Additional Funding for Electric Loans for Renewable Energy

$1 billion | USDA | Section 22001

This program — eligible to cooperatives, investor-owned utilities, rural municipal governments, Tribal utilities and electric service providers — is for the build out of clean energy generation, including wind, solar, hydro, geothermal, biomass and renewable energy storage. This program provides low cost loans with a clause that requires 50% of the loan to be forgiven by Rural Utilities Service if the contract was followed in good faith. This is a competitive program. Priority will be given to new renewables construction, likely with an eye to emissions reductions.

The program guidelines for this effort are currently being finalized.

Program Website N/A | Application Opens TBD
A cornerstone of the IRA is new incentives to help American families switch to an electric vehicle, purchase electric appliances, and make their home more efficient, healthy, and climate-smart. These benefits are largely delivered through extended and enhanced consumer rebates. Rewiring America estimates that the average home-owning family could save $1800 per year by installing a modern heat pump for space and water heating, building rooftop solar and switching to an electric vehicle.

While local governments are not the direct recipient or manager of rebate funds, which will typically go through a state energy office, munis—given their direct relationships with customers—have three key roles to play as these consumer programs are implemented:

1. Munis can provide education to customers and promote these rebates to drive cost-savings and housing quality and comfort and—importantly—complement these rebates with their own programs to help low-income customers access these benefits.
2. Munis must plan ahead to anticipate changes in load, as the electrification provisions grow and shift electricity consumption and the efficiency provisions shrink demand.
3. Munis can get ahead of the curve by creating programs to enroll new networked appliances into demand-management programs, offering new flexible capacity for utility managers.
Through their outreach capacity and connection to customers, munis are extremely well-positioned to educate homeowners and landlords about the IRA rebates and encourage their use. These rebates can also help advance utility goals around efficiency, by reducing the economic cost of appliance upgrades.

The IRA rebate programs include $4.3 billion dedicated to home energy performance-based, whole-house energy efficiency rebates and $4.5 billion for high-efficiency home electric rebates (HEEHRA), with a focus on low- and moderate-income households. Together, these can help families electrify their homes affordably, delivering monthly cost-savings, reduced indoor air pollution, and more comfortable homes. The upgrades in this program cover appliances — such as heat pump water heaters and space heaters, electric clothes dryers, and electric stoves — as well as up to $2000 for wiring upgrades and $4000 to upgrade a breaker box. These programs will help more than 1 million homeowners go electric.

Through the expansion of consumer programs, the IRA will drive energy efficiency improvements, household electrification and electric vehicle adoption. Munis can help steer these investments in ways that benefit the utility, leveraging their access to household energy use data and information to spur efficiency and beneficial electrification in areas where electrification has the highest grid benefit.

With these opportunities, a muni cannot be passive. The IRA speeds the acceleration of broader trends toward electrification, networked appliances, and demand management.

As households electrify, utilities will be faced with load growth from electrification. To reach net zero energy goals, it is estimated that electrical load will at least double mid-century. Rhodium Group estimates that the IRA and Bipartisan Infrastructure Law, together, will shift the electric vehicle market from 2% of light-duty sales in 2020, to 52% of sales by 2031. As described in the muni leader's guide, this shift will be accompanied by big demands upon utilities, including munis, to help install the needed capacity, electric distribution network, charging infrastructure, and load management technologies needed to handle vehicle electrification.

Vehicle electrification is a strong growth opportunity for munis. Elected
and appointed leaders can ask their munis to build out the charging network that will power the way we move for the next 100 years. And in the process, munis can explore vehicle to grid technologies that will increase resilience and grid flexibility. These leaders, in helping their utility understand the impact of the IRA, should guide a conversation around how their utility can be ready for and support beneficial electrification.

Done right, the expansion of consumer-facing rebates for electric vehicles and electric appliances will reshape electricity demand, unlock demand-management solutions, and contribute to system resiliency. As efficient smart appliances are rolled out, there is the opportunity for utilities to leverage these new technologies to capture demand-side flexibility.

In addition to the tax credits, there are also workforce development resources and investment tax credits to build workforce capacity for energy efficiency and electrification, including $200 million that will flow through state energy offices for workforce development programs. Munis can benefit from increased workforce development in the electrical trades.
These consumer-facing electrification initiatives within the IRA rely upon utility planning and assistance to recognize their fullest value for both families and the energy system. Muni leaders can help ensure their utilities lead by:

1. Developing ambitious education and outreach programs to help families understand the benefits they can receive from the IRA consumer provisions
2. Calling upon staff to update resource planning estimates with expected load growth driven by beneficial electrification, including taking full advantage of demand-management opportunities to provide new resource flexibility and resilience.
3. Developing utility-led programs to build out public electric vehicle charging infrastructure in partnership with counties, municipalities and state plans, and making it easy for customers to install charging infrastructure at their homes.
4. Reducing energy burdens for families within their service territory by focusing outreach and education around IRA consumer programs on households who stand the most to gain through efficiency and electrification. Co-designing outreach and electrification programs transparently with customers to deliver value to the community.
Program Recap:

**Home Energy Performance-Based, Whole House Rebates**
$4.3 billion | Section 50121
$4.3 billion for rebates dedicated to home energy performance-based, whole-house energy efficiency programs to reduce electrical usage over baseline and create more efficient home systems. This includes provisions to encourage multi-family unit building efficiency.

Deadlines TBD

**High Efficiency Electric Home Rebate Program**
$4.5 billion | Section 50122
This program funds state energy offices and Tribes to advance climate-smart homes through a formula grant program that allows states and Tribes to develop high-efficiency electric home rebate programs. These rebates drive down the cost of highly efficient electric appliances, making them more affordable for families. Funding includes $4.5 billion for high-efficiency home electric rebates.

Deadlines TBD

**Clean Vehicle Credit for Electric Vehicle Purchase**
$7500 tax credit per new vehicle, $4000 per used | Section 13401
Providing a $7,500 credit for new electric vehicles and $4000 credit for used electric vehicles, this provision is designed to help Americans afford to go electric. The credits are tied to domestic manufacturing standards, leading to a wave of investments in battery technologies and electric vehicle assembly.

[Website] | Deadline: File with Tax return
A technology-only view of the IRA — a view of machines and wires—belies the transformational potential of these investments. With the IRA, the US has chosen to invest in economic opportunity for the next generation. In doing so, we have the opportunity to invest better, dismantle generational iniquities, and manifest community benefits.

Munis can help deliver on this higher potential of the IRA by co-designing solutions with customers that provide affordable and reliable clean electricity, create good paying local jobs, clean up the air and water, improve housing security, reduce financial burdens on disadvantaged households, and deliver other specific benefits.

There are specific grant, financing and policy provisions within the IRA to drive capital into underserved communities, investing in physical infrastructure and the local economy. In parallel, there are inclusive and participatory planning practices that a muni can put into practice to deliver democratically developed benefits.

Importantly, the IRA has specific provisions to support disadvantaged and underserved communities—such as those which encourage EV, energy efficiency, and clean energy deployment in low income communities—and the climate provisions within the IRA were explicitly designed to be
implemented in line with the Justice40 initiative. The initiative directs 40% of the overall benefits of certain Federal investments — including the Inflation Reduction Act — into disadvantaged communities. President Biden initiated the Justice40 Initiative with Executive Order 14008 in his first week in office and in 2021, the Office of Management and Budget offered interim guidance on how to implement this initiative.

Community Benefits Plans

Within the transformative clean energy assistance programs through USDA and DOE qualifying munis are required to submit a Community Benefits Plan as a part of their application.

Community Benefits Plans are designed to address four policy priorities:
1. Workforce investments
2. Engaging communities and labor in project development
3. Advancing diversity, equity, inclusion and accessibility
4. Implementing Justice40

These plans provide an opportunity for communities served by public power to define what benefits they want to see locally. These can be crafted into legal agreements that are fully enforceable and can be funded as part of the project, if the community is well represented.
Qualified Low Income Benefit Project

Preparation is key to submitting a strong Community Benefits Plan. Directors can help foster the transparency and community-based planning process that are foundational to a good Community Benefits Plan. These plans have a lot of flexibility, but through stakeholder engagement, open meetings with well-publicized opportunities for input, and collaborative planning processes a muni director can represent diverse and inclusive community interests through the community benefits agreement process. These plans can include strong project labor agreements, such as those suggested by the BlueGreen Alliance, building upon prevailing wage standards that will deliver higher tax credit value for developers.

In addition to open community-driven planning and a focus on Justice40 benefits, munis can be partners in helping their communities access and deliver upon funds to spur clean energy deployment, efficiency, and other green programs within disadvantaged communities. Within the IRA, there are both targeted funding opportunities and prioritization within bigger programs for disadvantaged communities such as those which support energy efficiency, distributed energy, and electrification targeted to low-income communities.

Program Recap:

**Green and Resilient Retrofit Program**
$1 billion | Section 30002

HUD program energy efficiency and climate resilient to multifamily properties provides loans and grants for improving energy efficiency, water efficiency, or climate resilience of affordable housing.

**Climate Pollution Reduction Grants**
$4.75 billion | Section 60114

Grant funding to develop and implement plans for reducing greenhouse gas air pollution. Available to states, territories, tribes, municipalities and regulatory agencies. Implementation funding can go to any groups covered by a plan developed by the above entities.
**Greenhouse Gas Reduction Fund**  
$27 billion | Section 60103

This fund functionally creates the nation's first Green Bank, focused on accelerating the deployment of clean energy particularly in low-income and disadvantaged communities. The $27 billion dedicated to this effort can support the deployment of clean energy in low-income neighborhoods ($7 billion) and provide $8 billion to eligible entities, including state and local green banks and CDFIs, to provide financial assistance to clean energy projects that benefit disadvantaged communities.

**Tax Credits:**  
$27 billion | Section 60103

- Increase in Energy Credit for Solar and Wind Facilities Placed in Service in Connection with Low-Income Communities, Sections 13103, 13702(h)  
  ▪ Supports distributed energy in low-income communities
- Alternative Fuel Vehicle Refueling Property Credit (low-income targeted) Direct Pay, Section 13404  
  ▪ Supports EV infrastructure in low-income communities
- Diesel Emissions Reductions grants, rebates and loans, Section 60104  
  ▪ Supports reducing pollution in low-income communities
The IRA is already delivering on its promise to spark a clean energy renaissance across America. It is driving local investment, reshaping regional manufacturing hubs, exploding demand for wind, solar and storage, and driving real savings for American families.

It is clear: every muni has the opportunity—and responsibility—to reevaluate their resource planning in light of these new investments and opportunities.

Muni leaders can play a key role in this process by driving the types of collaborations needed to implement this law. They can educate staff on opportunities in the bill and ask staff to develop implementation proposals, mapped to their utilities’ specific needs and opportunities. They can govern transparently, bringing community members together to chart a path forward for their muni.

In the first quarter of 2023, grant programs have announced funding opportunities and near-term deadlines. Tax credits for clean energy technologies are available today.

It will take deep collaborations between the municipal leadership, utility leadership, and staff leadership—as well as with private industry and Federal partners—to unlock new investments. Muni leaders can ensure that staff are connected to the opportunities described above and set policies to drive forward implementing the ones that add value for their muni and community.

With strong leadership and by working together, munis will play the determining role in bringing the opportunities of the clean energy transition into their communities.
The following examples put IRA provisions in context – showing how cities small and large across the US can leverage IRA programs to maximize benefits for communities, utilities, and the clean energy transition.

Case 1) IRA and Public Power coal plants - a look at Columbia and Sikeston, MO

As the energy sector moves to lower carbon systems, coal has been seeing the greatest decline in usage, being less favorable and less economical than other sources. Total coal fired generation fell 50% from 2005 to 2019 in favor of other fuel sources like natural gas, which produce half the emissions of coal, and renewables, which have been becoming increasingly inexpensive. A quarter of the remaining coal capacity in the US already has a retirement date set before 2030, and that number will likely increase as economics continue to favor other resources, and as more state legislatures and cities adopt climate goals.

Nearly 31% of coal plants owned by Public Power utilities have a retirement date currently in the books and will be looking to replace that generation to meet growing load requirements. The IRA presents an opportunity for Public Power utilities to make this transition with
maximized benefits to their communities—and to do so owning assets, not just relying on PPAs and market purchases.

Columbia

Columbia, MO is a city that has demonstrated a strong commitment to climate action – and the IRA presents an opportunity to accelerate climate goals, while potentially lowering costs associated with repurposing aging fossil infrastructure.

Columbia's city council adopted the Climate Action and Adaptation Plan in 2019, which directs the city council to codify by ordinance a 2035 100% renewable energy goal for their municipal utility Columbia Water and Light. The city has a lot of work to do to meet these goals, in part due to its complicated relationships with coal. Columbia is currently in three life-of-plant term PPAs with coal plants, including with Iatan unit 2 and Prairie State, which are among the younger coal plants in the country and have no set retirement dates in sight, as well as with Sikeston, a coal plant owned by their southeastern neighbor that has been selling them coal-generated electricity since the 1980s. Additionally, Columbia’s municipal plant, which still runs 60 year old NG generators, still has a non-operating generator capable of burning coal. The city recently finished up a site cleanup of the former coal-ash pond.

The city's Integrated Resource Plan submitted in 2021 included forecasting for achieving 100% renewable energy by 2030, and achieving that goal relies on Sikeston choosing to retire their plant by 2030, as well as selling remaining coal power from the end-of-life PPA contracts back to the grid.

Sikeston will be covered in the next section, and unfortunately for Columbia, they may have limited flexibility with regard to their PPAs. But what they do have control over is their municipal plant. This plant is a prime target for the IRA’s Energy Infrastructure Reinvestment Financing provision, which guarantees loans to clean energy projects utilizing energy infrastructure that has ceased operation or that the owner is looking to replace. Columbia Water & Light’s IRP does not project investments in battery storage until 2038, but by initiating a battery project before at the site of the non-operating generator before 2026, Columbia could unlock many benefits: it could take advantage of the...
federal government’s loan guarantee, repurpose an existing site, and assuage concerns around reliability of a 100% renewable portfolio. In addition, lithium-ion batteries have declined in cost over the past few years (not even to mention cost savings from the ITCs they are eligible for). The current generators at the plant being as old as they are means the site is going to need attention soon regardless, so the options granted to Columbia by the IRA should be taken into serious consideration.

Goal: Utilize legacy infrastructure to access IRA funds
Columbia’s IRA menu of options
- 50144 Energy Infrastructure Reinvestment Financing
  - Relevant projects
    - Battery storage at Municipal Plant legacy site
    - Current Natural Gas generator retirement and legacy coal site repurpose (commercial space, community space, etc)
- 13102 Clean Energy Property Investment Tax Credit Direct Pay
  - Relevant Projects
    - Battery Storage at Municipal Plant legacy site
Despite being a rather small muni with around 9,000 customers, Sikeston was responsible for the 47th most electric generation of any public power utility in 2020. This is thanks to the Sikeston Power Station, a 261 MW coal plant which the muni has owned and operated since 1981. What isn’t used to serve their own electric load of around 70 MW is sold to a number of other Missouri munis, including Columbia. Electric sales from surplus generation at their directly-owned plant has been a boon for Sikeston, and the town’s small size will also grant it access to additional benefits via the IRA. USDA program funding — which is primarily targeted towards cooperatives — is available for munis with populations less than 20,000; so Sikeston can take advantage of federal resources to continue prospering, even though its coal plant is nearing retirement.

Given that Sikeston has traditionally benefited from their asset ownership, they may wish to continue owning assets through the clean energy transition. However, what stands out about the growth of renewables is that independent power producers are far and away the predominant owners of wind and solar projects. Public power utilities only own 244 MW and 842 MW of solar and wind respectively. Power plants like traditional fossil fuel ones allow for a great concentration of production in a small area, while renewables tend to require much more dedicated acreage, which can be a limiting factor alongside geographical restrictions like local sun exposure and wind speeds. Owning assets contributes to community wealth, lessens reliance on the market—which can be more
prone to supply and price fluctuations—and provides jobs to local people.

The current plant site alone could fit a small solar farm. A project like this would be eligible for a number of IRA benefits. Sikeston should qualify as an Energy Community, granting additional 10% increase to ITC and PTC benefits, and would have access to Energy Infrastructure Reinvestment Financing for the site restoration and new build. On top of that they will have access to REAP grants for up to 50% of the project cost thanks to their population size, and the Investment Tax Credit could cover up to 30% of the investment (if wage and apprenticeship bonus provisions are met). Once operating, the Production Tax Credit could provide up to $0.15/kw with the same bonus provisions.

Another, even greater potential option for Sikeston would be investing in battery storage, which would have access to both the Southwest Power Pool (SPP), which has 66 GW of renewable energy in its interconnection queue, and—contingent upon construction of a recently proposed substation—Midcontinent Independent System Operator (MISO) which is expected to have renewables make up 30% of their grid by as early as 2026. Battery storage is space efficient enough that this could potentially not impact the Sikeston Power Station, allowing a less stringent retirement and site restoration timeline. It would give Sikeston ample access to renewable energy to use as dispatchable power, either in their community to meet load or sold back to the grid as arbitrage. This is also compatible with any future solar builds that may interest Sikeston. Capital expenditure costs of battery facilities are expected to fall significantly by 2025—including in the 8-10 hour storage range—and when considering the ITC, REAP grants, and Reinvestment financing, such a project is much more affordable than it has been in the past.

Although funding for 50144 EIRF is currently only available through 2026, Sikeston’s access to REAP funding opens up their timeline to as late as 2031. By using their coal plant site for large volume battery storage, with room to spare for some extra solar generation, Sikeston can continue being a leader among smaller public power utilities.

Goal: Maintain economic prosperity through an energy transition using IRA funds while retiring plant by 2030 at the latest

Sikeston’s IRA menu of options

- 50144 Energy Infrastructure Reinvestment Financing
Relevant projects
- Sikeston Power Station site restoration, preparation, energy replacement with solar and/or battery storage
- 13101 Renewable PTC Direct Pay ($0.03/kw base, $0.15/kw with labor bonus provisions, additional 10% increase as an energy community)
  - Relevant projects
    - Solar
- 13102 Renewable ITC / 13102 Clean Energy Property Investment Tax Credit Direct Pay (6% credit base, or 30% credit with labor bonus, additional 10% increase as an energy community)
  - Relevant projects:
    - Solar
    - Battery Storage
- 22002(a) Rural Energy for America Program (25%-50% grant, or up to 75% loan)
  - Relevant Projects
    - Sikeston Power Station site restoration, preparation, energy replacement
    - Solar
    - Battery storage

IRA across city sectors

Although electricity generation, a focus up to this point, plays one of the largest roles in the energy transition (approx. 1/3 of all U.S emissions in 2021) leaders of municipal utilities responsibility spans across sectors, from building codes, to transportation, land use, etc. And all sectors will play a role in climate action, with their own equity and justice concerns. For many cities, including munis, there has been a strong political will to pursue climate action, electing Climate Mayors (a cohort of 470 US mayors representing 74 million people that have committed to emissions reductions in line with the Paris Agreement) and engaging in countless stakeholder processes across the country as localities have developed their climate action plans. With these plans in place, city governments now have the opportunity to utilize IRA funding to help meet the goals they have committed to. This means accessing direct pay funds for clean energy projects taken on by the city, but also being a facilitator of IRA’s diverse provisions to citizens, businesses, and community based organizations with education and outreach efforts.
For many cities, it is a high priority to ensure their Climate Action Plan addresses the environmental injustices and inequities associated with historical fossil fuel based development—and those that threaten to persist through a clean energy transition—with due haste. Similarly, the Biden Administration began the Justice40 initiative which sets a goal of 40% of certain federal funding to go to marginalized, underserved and environmental justice communities. The IRA—in pursuit of Justice40—contains several environmental and low-income targeted provisions. These provisions, as well as many others within IRA can be utilized at the municipal level to meet environmental justice goals.

The city of Lansing adopted its Climate Action Plan in 2020 focusing on city facilities and expanding operational capacity for exploring future climate action. From that came the Sustainability Action Plan in 2022. The city has a goal in line with the Paris Agreement to achieve 50% emissions reductions by 2030, which they work towards with the city utility’s Board of Water and Light as they invest in distributed energy resources at municipal properties and provide direction for the utility’s own climate goals – but the partnerships don’t end there. The goals set forth in Lansing’s Sustainability Action Plan stretch across several city departments and rely on valuable coordination with community based organizations, especially to meet their environmental justice goals.
As a part of Lansing’s sustainability plan, each of the following areas is prioritized and given particular environmental justice considerations: energy efficiency, renewable energy, mobility and transport, conservation and protection of water resources, land use, and materials management. On top of the utility’s existing access to customer outreach, the new Environmental and Climate Justice Block Grants can be used to develop educational programs and community-based organization partnerships for outreach and identifying community needs. And, IRA funding can be used on city projects focused on pursuing environmental justice goals related to renewable energy, energy efficiency, transportation, land use, and water resources. See the table below for examples of how IRA programs can support Lansing’s environmental justice goals.

Goal: Use IRA funds to address Environmental Justice concerns associated with 5 of the 6 focuses of Lansing’s Sustainability Action Plan: Renewable Energy, Energy Efficiency, Transportation, and Water Resources
### Lansing’s IRA menu of options:

<table>
<thead>
<tr>
<th></th>
<th>Renewable Energy</th>
<th>Energy Efficiency</th>
<th>Transportation</th>
<th>Land Use</th>
<th>Water Resources</th>
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<tbody>
<tr>
<td>13103, 13702(h) Increase in Energy Credit for Solar and Wind Facilities Placed in Service in Connection with Low-Income Communities</td>
<td>Distributed Energy: community solar</td>
<td></td>
<td>Distributed Energy: project siting and design to avoid displacement, reduce heat island effect, and to promote public health</td>
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<td>13102 Renewable ITC / Clean Energy Property ITC Direct Pay (6% credit base, or 30% credit with labor bonus)</td>
<td>Distributed Energy: community solar, subsidized and technically assisted low-income residential solar</td>
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<td>Microgrid: adding controllers to microgrid projects built for resiliency hubs or for unhoused and other vulnerable populations trifecta</td>
</tr>
<tr>
<td>13101 Renewable PTC Direct Pay ($0.03/kw base, $0.15/kw with labor bonus provisions)</td>
<td>Distributed Energy: community solar, subsidized and technically assisted low-income residential solar</td>
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<tr>
<td>13302 Residential Clean Energy Credit</td>
<td>Distributed energy: subsidized and technically assisted low-income residential solar and storage, open to renters</td>
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<table>
<thead>
<tr>
<th>Lansing’s IRA menu of options:</th>
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<tr>
<td><strong>Renewable Energy</strong></td>
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<tr>
<td>13401/13402 Clean Vehicle Credits (used vehicle credits targeted to middle and low-income earners)</td>
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<tr>
<td>13404 Alternative Fuel Vehicle Refueling Property Credit (low-income targeted) Direct Pay</td>
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<tr>
<td>60104 Diesel Emissions Reductions (low-income targeted) grants, rebates and loans</td>
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<tr>
<td>13301 Energy Efficiency Home Improvement Credit</td>
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<td>13304 New Energy Efficient Homes Credit</td>
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<tr>
<td>30002[a](1, 3, &amp; 4) Green and Resilient Retrofit Program - Grants and Loans for HUD-assisted properties</td>
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Case 3) IRA’s potential to support bold electrification goals in Seattle

Seattle has the geographical and historical benefit of bountiful access to hydropower. The utility, Seattle City Light, itself owns 7 hydropower dams, granting them 2000 MW of clean energy. According to their 2020 GHG emissions inventory, electricity contributed a negligible amount to the city’s emissions. Instead, for Seattle, the focus of decarbonization will be electrifying buildings and transportation, which make up 37% and 61% of the city’s emissions respectively. The city as a whole has been following the 2013 Climate Action Plan (and 2018 update), and has worked to reduce vehicle use by investing in transit, bike and pedestrian infrastructure, has expanded EV charging infrastructure and adopted electrification readiness ordinances, made progress towards 50% city fleet electrification by 2025, and has utilized building codes, incentive programs and public-private partnership towards building electrification. Meanwhile, Seattle City Light has prepared itself well for the duties delegated to it in the Climate Action Plan by considering robust electrification planning in their Integrated Resource Plan, informed by the electrification strategy prepared with Rocky Mountain Institute, and the electrification assessment prepared with the Electric Power Research Institute. They have also already begun communications to customers on how they can benefit from the IRA. As Seattle electrifies they must also place emphasis on energy efficiency and load management, both for the benefit of ratepayers and to ease the increased electric load.
The city’s electrification journey is far from over, but the path to total building and road transportation electrification by 2030 can be made faster, more economical, and more resilient with the use of IRA funding both by the city directly and by helping educate and assist residents and businesses on how they too can access IRA funding for building and transport electrification and energy efficiency. The following IRA programs could be utilized in Seattle to bolster the effort towards their ambitious electrification goals:

Seattle’s menu of options
- 30002(a)(1,3,4) Green and Resilient Retrofit Program
  - Relevant projects:
    - public/private partnerships for low-income home electrification and EE
- 13304 New Energy Efficient Homes Credit
  - Relevant projects:
    - public/private partnerships for home electrification and EE
- 13301 Energy Efficiency Home Improvement Credit
  - Relevant Projects
    - Residential electrification and EE projects
- 60103 Greenhouse Gas Reduction Fund
  - Relevant projects
    - Targeted electrification and energy efficiency in low-income communities
    - Vehicle and transit electrification: public and private
- 13401/13402 Clean Vehicle Credit/Previously-Owned Clean Vehicle Credit
  - Relevant projects
    - Public individual and commercial EV adoption
• 60104 Diesel Emissions Reductions (low-income targeted) grants, rebates and loans
  ○ Relevant projects:
    ■ Public/private vehicle electrification

• 13404 Alternative Fuel Vehicle Refueling Property Credit (low-income targeted) Direct Pay
  ○ Relevant projects:
    ■ EV charging stations in low-income areas: city owned or private owned

• 13102 Clean Energy Property ITC Direct Pay (6% credit base, or 30% credit with labor bonus)
  ○ Relevant Projects:
    ■ Microgrid controllers for EE & resiliency
APPENDIX: ADDITIONAL IRA IMPLEMENTATION RESOURCES

- **White House Guidebook** to Implementing the IRA
- **Implementing the IRA**: A Roadmap for State Electricity Policy, Energy Innovation
- Blue Green Alliance **User Guide to the IRA** and IIJA and IRA Law **Resource Center** (Ben Beachy)
- AEE IRA Guides
- **A Guide for Local Government Leaders**, C40 Knowledge Hub
- DOE Energy Improvements in **Rural or Remote Areas** and $1 billion program announcement for energy systems in **rural and remote communities**
- SPG **Market Intelligence** on Direct Pay
- NYU blog on **tax credits** as a means of achieving climate policy
- DOE **1706 Loan Program** splash page
- IRS Meeting Readout on **Stakeholder Roundtable** on Clean Power Generation and the Inflation Reduction Act
- Briefing book on **Bipartisan Infrastructure Framework** from NCEL
- NCEL Grid Modernization **sample legislation**
- EF Spreadsheet IIJA/IRA “**Choose Your Own Adventure**”
- IRS **Request for Comment** on Tax Provisions (Round 2, Due Dec. 3)
- **Bootcamps** for Applying for Federal Grants (IIJA Focus)
- American Cities Climate Challenge Renewables Accelerator **Federal Funding Procurement Guidance**