BUILD AND OWN LOW-COST CLEAN ENERGY GENERATION

In the past decade, the U.S. energy system has changed rapidly as the cost of wind and solar power has declined significantly. From 2009-2021, the cost of utility-scale solar declined 90% and the cost of wind energy declined 72% (7). Today, it is less expensive to build new wind and solar power than it is run 99% of the existing U.S. coal fleet (8).

The IRA includes several provisions that will help cooperatives deploy clean energy technologies — notably, by unlocking tax credits for cooperatives via direct pay and through new financing opportunities overseen by the U.S. Department of Agriculture (USDA).

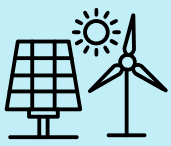
"Direct Pay" Allows Cooperatives to Own Their Own Clean Power

The IRA extends and modifies existing tax credits for clean energy, including the production and investment tax credits for wind and solar. It also includes revamped tax credits for storage, nuclear, green hydrogen, and carbon capture. While these electricity generation technologies are differentiated today, by 2025 the IRA moves the tax credits to technology-neutral clean energy production and investment tax credits, understanding that the future grid will be powered by a resilient portfolio of clean energy technologies.

The sum of these tax credits open significant opportunities for cooperatives. Credit Suisse expects that two-thirds of the funding within the IRA will be delivered through these tax credits (9), driving an estimated quadrupling of solar and a doubling of onshore wind capacity by 2030 (10).

For cooperatives, a crucial policy change — direct pay for rural electric cooperatives — has made clean energy tax credits available to them without a middleman for the first time.

With direct pay provisions, cooperatives can more easily own their own clean power (11). Previously, rural electric cooperatives were not eligible to directly benefit from clean energy tax credits because these credits were only available to private companies with a taxable liability. With this policy change in the IRA, the Treasury will now send the cooperative a payment for the cash value of the tax credit for any qualifying project. This allows the cooperative to recognize the full value



Wind & Solar
30% ITC
$26/MWh PTC

Nuclear
30% ITC
$26/MWh PTC

Storage
30% ITC

Carbon Sequestration
$86/tonne CO2
sequestered

Clean Hydrogen
$3/kg fuel produced
30% ITC

Approximately 2/3 of the funding within the IRA will be delivered via tax credits for clean energy technologies. Cooperatives can access these tax credits without a private sector partner via "direct pay".

of the tax credit without a complex and costly tax equity partnership. Direct pay should reduce transaction costs for cooperatives seeking to purchase and own clean energy generation, improving already favorable economics for wind, solar and storage capacity.

Direct pay is extended to cooperatives for both production and investment clean energy tax credits.

While many of the IRA's programs are competitive and may not have funding available for all eligible projects, there is no predetermined budget for clean energy tax credits.

The budget for these tax credits and direct pay is uncapped and they will only expire when US emissions are reduced to 25% of 2022 levels. **This long tail should give cooperatives confidence to plan and act.**

Finally, these tax credits with direct pay are stackable with other grant and loan programs, such as the $9.7 billion assistance fund for cooperatives described in Opportunity Two.

Because the tax credits work with other DOE and USDA loan and grant programs, cooperatives can utilize these investments to improve the cost of capital for new clean energy projects.

Production Tax Credit

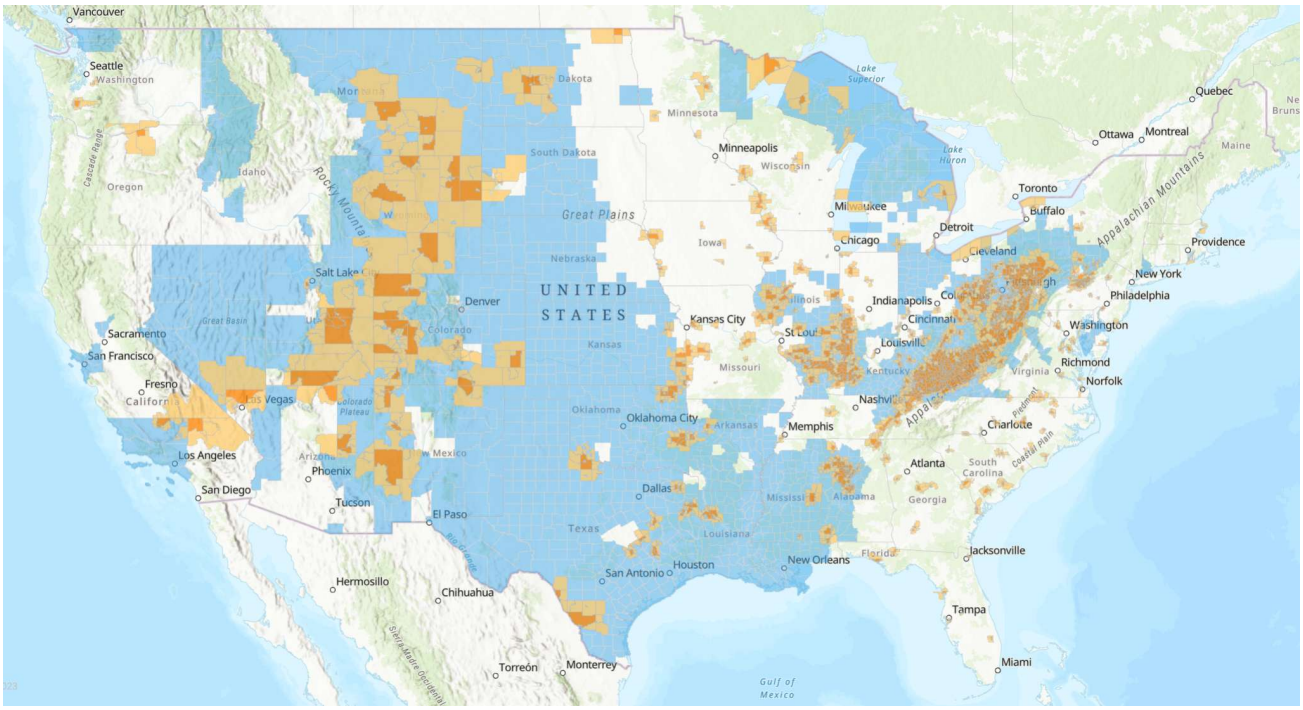
Available to cooperatives with direct pay!

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 (12). 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 (13, 14). Cooperatives 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 (+10%). For more information on energy communities, see page 12 below.

Investment Tax Credit

Available to cooperatives with direct pay!

The 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 (15). 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 Tribal land to receive an additional 10-20% if construction begins before the end of 2024 (16). Qualifying projects for this bonus program include wind and solar projects <5 MW and projects designed to serve qualified low-income housing projects.



Map of DOE designated Energy Communities. Energy communities include those that have faced coal closures, brownfields, and communities where there is 0.17% or greater direct employment or 25% or greater local tax revenues related to the extraction, processing, transport, or storage of coal, oil, or natural gas.

Targeted Programs Allow Cooperatives to Finance Shovel-Ready Projects

In addition to tax credits, there are several specific programs available to fund, via a combination of grants and loans, rural clean energy systems. These include $1 billion available to rural electric cooperatives and small municipal energy providers for clean energy deployment through Section 22001 and $2 billion in grid-edge and smaller-scale clean energy solutions directly for farms and rural small businesses through the expanded Rural Energy for America Program (REAP) program managed by the USDA (17).

Rural cooperatives can apply directly for Section 22001 assistance and utilize funds to build and own clean energy projects that drive local jobs and reduce costs. The USDA is currently finalizing

Energy Communities

Energy communities powered our economy for the past century, keeping on the lights and providing vital services to the whole economy through the extraction, processing, transportation and combustion of coal, oil and gas. The IRA includes specific provisions to reinvest in those same communities so that they can 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 (map above). Additional technical resources can be accessed through the DOE-led Interagency Working Group on Coal and Power Plant Communities & Economic Revitalization.

REAP in Action!
In December 2022, Meadow Ridge Farms in Berks County, Pennsylvania was selected to receive $98,500 in grant funding to build a 187-kilowatt solar PV system. Meadow Ridge expects their poultry operation to save $17,000 per year while saving enough energy to power 22 homes.
REAP in Action!

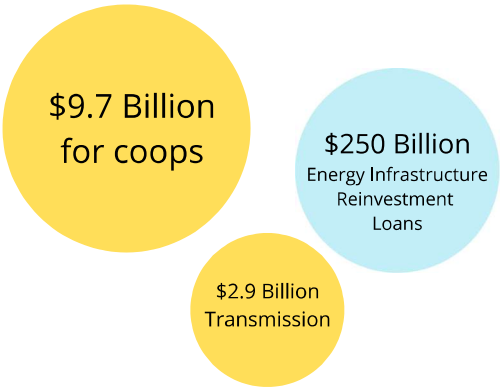
guidance for the $1 billion through Section 22001, with guidance and a call for proposals expected to be released in spring 2023.

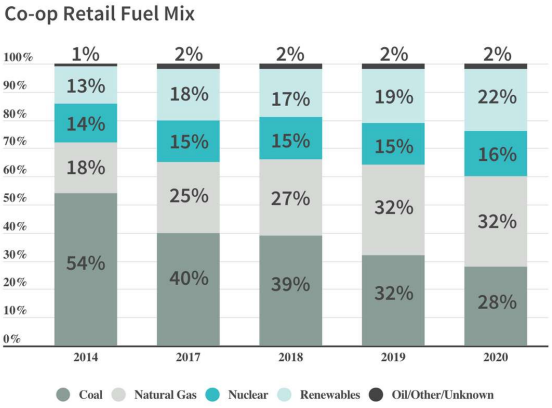
As trusted community partners, rural electric cooperatives can help connect their member-owners to the REAP program, which is designed to help farms and small businesses build their own clean energy systems. REAP funding is made available via both grants and loans with a fast closing deadline of March 31st, 2023. Of the $2 billion appropriated, approximately $304 million is reserved for underutilized technologies and technical assistance.

By directing REAP investments to site-specific targets that help meet the cooperative's grid planning needs, cooperatives can benefit local businesses that may save money on utility bills and the utility itself, which may save on additional system upgrades. For example, a cooperative might identify a qualifying farm to apply for a REAP loan that is located in an area where a project contributes to grid resiliency or helps to avoid distribution infrastructure upgrades.

These new clean energy provisions within the IRA will make it easier for cooperatives to build and own new clean energy generation.

RETIRE COSTLY AND AGING GENERATION ASSETS





Note: Renewables include owned and directly purchased electric generation, plus generation in the mix from wholesale market purchases and do not reflect renewable tax credits. Source: NRECA analysis

Coal-fired generation powered a century of American growth, but today legacy fossil assets too often hold cooperatives back financially. Today, rural electric cooperatives rely more heavily on coal-fired generators than their investor-owned peers. Generation and Transmission cooperatives own, wholly or in part, 92 coal-fired generating stations totaling 25 GW of owned capacity (18). Many of these facilities are increasingly costly to run.

Today, in fact, it is more affordable to build an equivalent amount of new wind and solar capacity than it is to run more than 99% of the existing U.S. coal fleet (19).

The IRA provides a pathway for cooperatives to replace their most expensive legacy fossil infrastructure with affordable clean energy through the new $9.7 billion USDA New ERA program (Section 22004). Within this program the USDA has the flexibility to offer grants, extend loans, or develop additional financing mechanisms to help cooperatives deploy clean energy and reduce emissions. This program will be available for both distribution cooperatives and G&Ts. Applications for this program should be scored based upon expected emissions reductions. In doing so, this program has the potential to help rural electric cooperatives retire and repurpose their most uneconomic coal assets.

The program design is currently being finalized by

the USDA, with guidance expected in Spring 2023, but cooperatives can look ahead today to prepare projects that meet these expected criteria.

The replacement of legacy assets opens up new planning challenges and opportunities for utility leadership, as a retired coal generator would likely be replaced with a portfolio of clean energy that might include solar or wind, alongside storage, energy management technologies, efficiency and other solutions. To reduce the costs of these new energy sources, cooperatives can utilize both the clean energy tax credits described in Opportunity 1 and the USDA assistance program.

G&Ts, with their planning capacity and responsibility to their member cooperatives, have a significant opportunity to reevaluate their legacy assets and leverage this USDA funding to serve their members' goals.

Cooperatives should explore the use of all-source procurement when they replace their legacy fossil generation with clean energy resources. It is likely that existing generation capacity will be replaced by a portfolio of clean energy sources which could include wind, solar, storage, demand management, or other sources, rather than replacing existing generation 1:1 with a single technology. Leader cooperatives will be thinking about how their renewed portfolio can drive multiple values for the utility, such as creating local jobs, building community wealth, improving grid resilience, increasing utility flexibility, and more (20).

Many of these investments and planning challenges are supported via the Inflation Reduction Act's wider purview and many provisions can be stacked to save costs. As

Carbon Capture & Sequestration

Provisions such as the EIR and Assistance for Rural Electric Cooperative programs are potentially available for use in carbon capture and sequestration projects. Utility directors should proceed with caution when evaluating the technological and financial viability of a carbon capture project, understanding the project risks and protecting member-owners from financial ramifications of a failed project.

mentioned, the USDA Assistance for Rural Cooperatives program can be combined with tax credits. In addition, 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 (21).

Together, these funding opportunities support stronger grid interconnectivity and grid-edge, community-scale and utility-scale clean energy solutions. With many options on the table, it will be up to cooperative leaders to determine the best resource mix to serve their specific community needs as aging fossil assets are replaced with a portfolio of modular, clean generation assets.

REDUCE THE COSTS OF BENEFICIAL ELECTRIFICATION

The IRA includes provisions that help American families switch to an electric vehicle, purchase electric appliances, and make their home more efficient and comfortable. Since 2018, when a resolution at NRECA was passed in support of beneficial electrification, cooperatives have led the way in helping their member-owners electrify buildings and transportation (22).

The consumer programs in the Inflation Reduction Act put cost-effective electric appliances and vehicles within reach for more American families through extended and enhanced consumer rebates and by providing tax credits for home clean energy systems. 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 (23). The Inflation Reduction Act could provide as much as $28,500 in upfront incentives to households ready to electrify (24).

The rebate programs that support electrification will largely flow to customers through state energy offices. While cooperatives are not the direct recipient or manager of these programs, they can play a crucial role in program delivery. This is particularly true for distribution cooperatives that maintain trusted member-owner relationships.

Cooperatives have three key roles to play as these new programs are implemented:

- **Educate**. Cooperatives can educate member-owners 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 member-owners access these benefits.
- **Plan**. Cooperatives must plan ahead to anticipate changes in load as electrification provisions grow and shift electricity consumption and the efficiency provisions shrink demand.
- **Network**. Cooperatives 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 connection to member-owners, cooperatives are extremely well-positioned to educate homeowners and business owners about the IRA rebates and to encourage their use. If targeted, these consumer programs can help advance utility goals for residential efficiency, equity and electrification, all while reducing household bills for member-owners.

The IRA rebate programs include $4.3 billion dedicated to performance-based, whole-house home energy efficiency rebates and $4.5 billion for high-efficiency home electric appliance installation 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. HEEHRA alone will help more than 1 million low- to moderate-income households electrify (25).

In addition to the point-of-sale rebates above, the IRA offers tax credits to drive home and business electrification and efficiency:

- The Energy Efficient Home Improvement Credit (25C) allows households to deduct up to 30% the costs of electrification — including heat pumps, insulation, labor and equipment costs, and wire panel upgrades on their taxes.
- The Commercial Buildings Energy Efficient credit (179D) incentivizes businesses to reduce their energy use above and beyond existing building performance standards by providing $2.50-5.00 per square foot for achieving specific benchmarks.

To spur passenger vehicle electrification, the IRA provides a renewed electric vehicle tax credit:

- The electric vehicle tax credit provides up to $7500 for new vehicles and $4000 for used vehicles, if vehicles meet certain criteria, including domestic assembly, domestic battery manufacture or assembly, and critical minerals supply standards. Beginning in 2024, this credit can be applied at the point of sale.

Through the expansion of these consumer programs, the IRA will drive energy efficiency improvements, electrification, and electric vehicle adoption. These technologies will impact cooperative resource planning as electrification will grow energy demand and change the timing of when electricity is demanded from the grid. Likewise, efficiency will drive down energy demand and shift when electricity is needed from the grid.

Vehicle Electrification

A growth opportunity for cooperatives.

Most new EV's are now cheaper off the lot than a similar-class internal combustion vehicle (26). New manufacturing facilities are announced almost weekly. And now, there are renewed consumer tax credits for EV's in the IRA. The trend is clear: EV's adoption is accelerating.

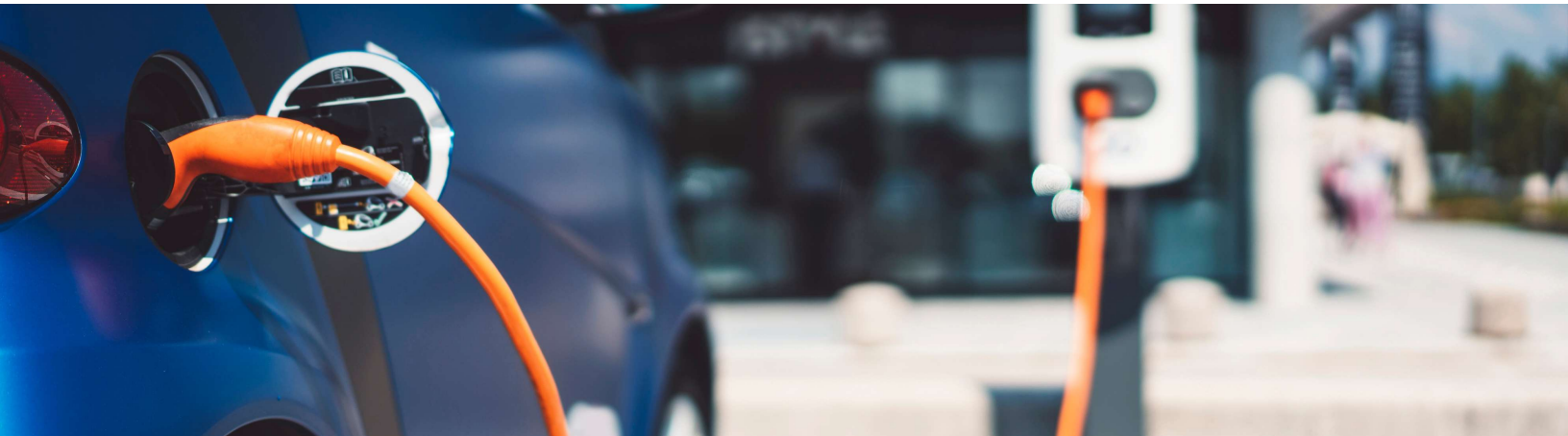
Cooperatives will play a significant role in powering the next 100 years of transportation and need to be prepared to handle the additional load vehicle electrification will bring. Cooperatives can partner with their communities to install public charging infrastructure, as well as make it easier for member-owners to install fast chargers at home. They can set time of use prices to encourage charging practices that help them manage the grid. And as technology advances, cooperatives can utilize vehicle-to-grid technologies that will increase rural resilience and grid flexibility.

The IRA accelerates broader trends toward electrification, networked appliances, and demand management. Proactive rural electric cooperatives can help steer these investments in electrification in ways that benefit the utility. Cooperatives have access to household energy use data and information and can use this information to encourage efficiency and beneficial electrification in areas where electrification has the highest grid benefit.

To reach a net zero emissions energy system, it is estimated that electrical load will at least double mid-century (27). 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 (28). As described in the cooperative director's guide, this shift will be accompanied by big demands for utilities, including rural electric cooperatives, to help install the needed capacity, electric distribution network, charging infrastructure, and load management technologies needed to handle vehicle electrification.

To meet increased demand, alongside new generation deployment, cooperatives are already exploring creative solutions — like virtual power plants — that harness the power of new electrified appliances and vehicles and storage to flexibly help meet energy planning requirements (29).

In the face of these changes in energy demand and technology, good planning is crucial. Cooperative leaders have the opportunity to learn about beneficial electrification, leverage Federal programs to deploy clean appliances and electric vehicle infrastructure in their communities, and ensure that their utility's planning process reflects these big shifts in the U.S. energy ecosystem.



GROW LOCAL ECONOMIES AND UNLOCK COMMUNITY BENEFITS

The impact of these investments is already coming into focus: in the first 100 days of the IRA's passage, the US saw more than $40 billion in new clean energy investments announced, with public dollars catalyzing unprecedented private investment (30). From solar and battery manufacturing, to electric vehicle assembly and new clean generation, the IRA is advancing American manufacturing and construction. The pace of these announcements has continued unabated into 2023.

Rural electric cooperatives will power many of these industrial hubs. They also have the potential to benefit from local clean energy generation, as wind, solar and storage can often be sited in or near the communities they serve. This can bring both temporary construction and permanent operations jobs to rural communities.

Many projects can be win-win-wins for the community. The Inflation Reduction Act explicitly rewards projects that deliver multiple economic benefits for their community. Cooperative leaders have the ability to work with member-owners to define and realize specific benefits that are important to them, such as good local jobs, lower bills or pollution reduction.

Community Benefits

Desired community benefits should be surfaced in dialogue with member-owners. Priorities may include:

Lower Utility Bills | Healthier Homes | Reduced Energy Burden | Local Jobs | Cleaner Air and Water | Resilience to Weather Disasters | Lower Utility Financial Risk | Local Energy Security | Protection from Fuel Supply Shortages

Community Benefit Plans

A formal Community Benefit Plan is one way that the IRA works to ensure shared economic prosperity in the clean energy transformation (31). Projects that receive federal financing or grants, including the USDA New ERA program, will be required to submit a strong community benefit plan. These plans are agreements between the grant or loan applicant — in the case of USDA New Era, the cooperative — and its community partners. This plan can be funded as part of the project and crafted into a fully enforceable legal agreement to ensure developers meet the community's goals.

DRIVING

ECONOMIC GROWTH

A good community benefit plan is actionable. It has measurable outcomes and specific goals.

Community Benefit Plans plans are asked to support four key priorities:

- Investing in America's workforce
- Engaging communities and labor
- Advancing diversity, equity, inclusion and accessibility
- Implementing Justice40

Plans will be scored by an agency on how they speak to the priorities above, but the exact provisions within a community benefit plan are up to local leaders and their communities.

For example, community benefits agreements can include strong project labor agreements, building upon prevailing wage standards needed to unlock the full tax credit value.

These plans should be the result of an open and accessible community engagement process.

A cooperative and its member-owners should collaborate closely to develop a strong community benefits plan. Utility staff and the board can ensure best practices are put in place during the design and stakeholder engagement process. Such practices include open meetings, well-publicized opportunities for input, representation from diverse community interests, and transparency in decision-making.

By taking advantage of community benefit plans and the full industrial and energy economic opportunities within the IRA, cooperatives can help strengthen their local economy and foster broadly shared prosperity.

Workforce Development Funding

The IRA includes provisions to support workforce development. For example, through the Department of Energy, the IRA appropriates $200 million to build workforce capacity for energy efficiency and electrification will flow through state energy offices. Cooperatives can benefit from increased workforce development in the electrical trades and advocate that their state energy offices take full advantage of workforce development funding and deploy it to the communities they serve. In addition to these dedicated dollars, cooperatives can include funding for workforce development as a part of their community benefits plans, to ensure that projects build local prosperity alongside achieving clean energy goals.

REDUCE ENERGY BURDEN AND IMPROVE COMMUNITY HEALTH

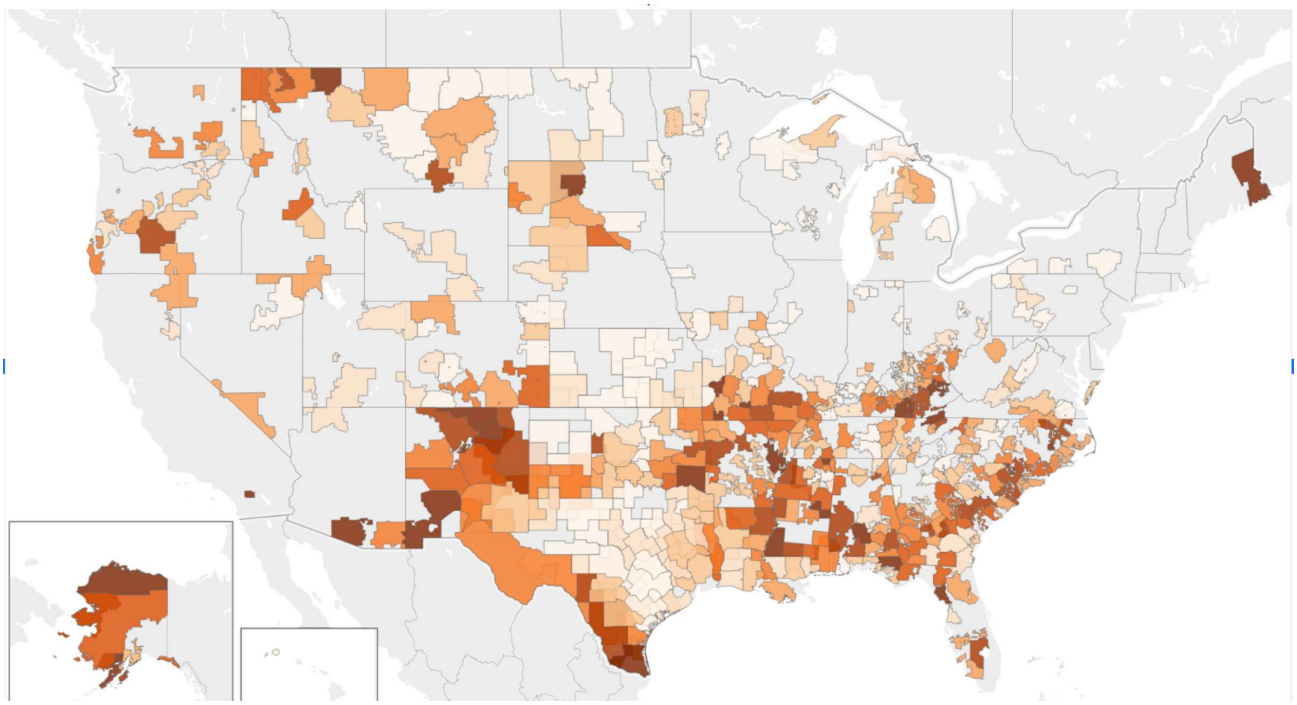
The IRA provides financial resources for cooperatives to invest in disadvantaged communities, providing new resources to reduce energy burden, improve housing quality and community health, and invest in neighborhoods historically left behind. Cooperatives are well positioned to lead in this work: they serve electricity to 92% of persistent poverty counties in the United States, so they can play an outsized role in addressing long-standing inequities (32). By choosing to prioritize equitable investments in clean energy systems, electrification and efficiency, cooperatives can direct IRA investments to alleviate the highest energy burdens.

Rural households have a higher average energy burden (4.4%) than the national average (3.3%) and low income households in rural areas bear the brunt of these costs with energy costs nearly three times higher than their better-off neighbors (33). Elderly individuals, non-white residents, and renters are particularly vulnerable (34).

Rural housing stocks are, in part, to blame: regionally, manufactured housing can make up nearly 20% of rural housing stock and the majority (75%) of units are single family homes, making improvements difficult to implement (35).

The USDA and DOE are working to deploy IRA programs in line with the Justice40 initiative, which directs 40% of the overall benefits of certain Federal investments into disadvantaged communities (36). The Climate and Economic Justice Screening Tool (CEJST) developed by the Council on Environmental Quality can be utilized by cooperatives to identify disadvantaged and overburdened communities within their service territory (37).

CEJST incorporates factors such as low-income or persistent poverty, climate impacts, energy burden, health indicators, housing quality and investment, legacy pollution and transportation to identify census tracts that have been left behind. 100 rural electric cooperatives provide service to communities in which 70% or more of their service territory falls within a Justice40 community. Nine cooperatives serve communities that fall 100% within this definition. In addition to the census tracts defined by CEJST, there may be additional state and local definitions of disadvantaged communities which may be important for your community (38).



The map highlights rural electric cooperatives that serve more than 10% disadvantaged communities as defined by the Justice40 initiative. The darker the shading, the higher percentage of a cooperative that lies within a Justice40 community. Source: Climate Cabinet Education

In the programs and funding opportunities described within this guide, there are both specific grants, financing and policy provisions to drive investments into underserved communities and a broader opportunity for cooperatives to drive such investments into the communities that stand to benefit the most from them by choice.

There is $1 billion through the Department of Housing and Urban Development (HUD) for energy efficiency retrofits within affordable housing. Of the $27 billion appropriated to the Greenhouse Gas Reduction Fund, $7 billion is allocated to projects that support pollution reduction and clean energy projects in low-income neighborhoods (38). This program is still being finalized, but these high leverage, low cost dollars could flow through the Community Development Financial Institutions that serve rural communities, or state green banks.

Low-Income Communities Bonus Credit
The IRA provides a bonus credit for wind and solar projects developed in low-income communities of up to 20%, with 1.8 GW of projects reserved for this plus-up in 2023. Priority projects include ones associated with low-incoming housing.

By instituting community-driven planning as described in Opportunity 4, focusing on Justice40 mapping above, and working in partnership with local and state municipalities to implement specific low-income programs, cooperatives can be partners in helping the disadvantaged communities they serve access programs to spur local clean energy, weatherization, electrification, and energy efficiency deployment. These programs have the potential to improve lives by reducing energy bills for families who currently spend the most to heat and cool their homes. They also have the opportunity to improve housing stock, which reflects directly back into improved health.

LOCAL LEADERSHIP IS KEY

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.

A Helping Hand: USDA Rural Partners Network

To help in this path, the USDA is seeking rural communities to partner with on IRA implementation through the new USDA Rural Development Rural Partners Network (RPN) (40). The network will explore how to reduce the barriers for rural communities to seek Federal funding, like the programs within the IRA. This program aims to hire USDA staff in pilot geographies to increase local participation in Federal programs. Cooperatives can encourage elected leaders within their communities to join and apply.

In addition, USDA is staffed state by state with Rural Business-Cooperative Service State Energy Coordinators who are able to help navigate USDA services and the Rural Utilities Service able to provide further guidance (41, 42).

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

In the Spring of 2023, USDA is finalizing program design for the clean energy financial assistance programs. Board members' input is critical to that process. At the same time, grant programs like REAP have announced funding opportunities and near term deadlines.

Other opportunities have longer tails: tax credits for clean energy technologies are available today and will be available for years to come.

Local leadership and collaboration will be key to implementation. Cooperative board members and staff, alongside private sector and Federal partners, will unlock new opportunities together. Throughout, engagement with member-owners will be key to delivering the most meaningful local benefits.

With strong leadership and by working together, cooperatives will play the determining role in bringing the opportunities of the clean energy transition into their communities. And in doing so, stand to benefit the integrity of their cooperative's bottom line and the member-owners they serve.

Director's Corner

Directors can play a key role in connecting their cooperative to opportunities within the IRA by driving the types of collaborations needed to implement this law. They can educate staff on opportunities, like those described above, and ask staff to develop implementation proposals, mapped to their utilities' specific needs and concerns. They can govern transparently, bringing community members together to chart a path forward for their cooperative.

With changes in energy economics and electrification momentum, it is prudent for rural cooperatives to reevaluate their resource planning in light of the IRA's passage.

In addition, a director can help unlock the opportunities in this guide by asking the following questions or taking the following actions:

Opportunity 1:

To take advantage of these clean energy provisions, a cooperative director can:

1. Encourage staff to update formal utility plans with revised cost estimates for clean energy.
2. Explore competitive all-source energy procurement to determine lowest cost, highest value solutions for clean energy sources.
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).

Opportunity 2:

To explore retiring an uneconomic coal facility, a cooperative director can:

1. Evaluate your existing generation mix to see if there are new ways to deliver the value for your member-owners. Do these new financial pathways unlock cost savings for the families and businesses you serve?
2. Encourage staff to revisit plans for aging fossil generators to determine if the USDA Assistance for Rural Electric Cooperatives (Section 22004), combined with tax credits, makes earlier plant replacement attractive financially.
3. Collaborate with your G&T to explore opportunities to utilize the $9.7 billion in assistance to speed the retirement of your most expensive coal-fired power plants, delivering those cost savings to member-owners.

Opportunity 3:

To leverage new resources for beneficial electrification, a cooperative director can:

1. Push for ambitious education and outreach programs to connect member-owners with IRA consumer provisions.
2. Call upon staff to update resource planning estimates with expected load growth driven by beneficial electrification.
3. Develop utility-led programs to build out public electric vehicle charging infrastructure and make it easy for member-owners to install charging infrastructure at their homes.

- Reduce energy burdens for families within their service territory by focusing outreach and education around IRA consumer programs on households who stand to gain the most from efficiency and electrification programs. Co-design outreach and electrification programs transparently with member-owners to deliver value that your membership wants.
- Include demand-management solutions in your resource planning, for example through an all-source procurement process.

Opportunity 4:
To deliver community benefits and grow regional economies, a cooperative director can:

- Hold the cooperative to genuine, transparent, and inclusive member-owner engagement in the design of a community benefits plan.
- Ensure that any community benefits plan submitted meets high standards of community engagement. Leverage provisions within the IRA that allow a community benefits plan to be submitted as a fundable part of a project, to ensure the cooperative has the resources needed to implement the community benefits plan during the project.
- Work with local businesses to support new economic opportunities in clean technology development and manufacturing.

Opportunity 5:
To address energy burden, improve community health and drive investment into disadvantaged communities, a cooperative director can:

- Centering community voices within board meetings and advocate for transparent and inclusive planning processes.
- Directing clean energy generation investments — leveraging both USDA financing programs and tax credits — into disadvantaged communities to bring jobs and shared prosperity to under-resourced communities. These investments should include co-designed community benefits defined with input from affected communities, as described in Opportunity 4.
- Leveraging the USDA Assistance for Rural Cooperatives program to close polluting fossil facilities responsible for high health burdens in downwind neighborhoods.
- Directing specific outreach for consumer rebate programs within disadvantaged communities and supplementing the IRA efficiency and electrification rebates with cooperative-driven programs that address energy burdens and reduce bills.

Key IRA Programs for Cooperatives

USDA Assistance for Rural Electric Cooperatives - New ERA

$9.7 billion | USDA | Section 22004

This is a new program through USDA that provides financial assistance to rural electric cooperatives clean energy deployment. Prioritizing projects that have the greatest reduction in CO2, methane or nitrous oxide emissions, this program is designed to help cooperatives transition from expensive, polluting energy systems to lower-cost clean energy. It is a competitive program that may include grants and low-cost financing packages, with applicants selected based upon emissions reduction potential. A utility can layer this financial assistance with tax credits. The funding must be disbursed by 2031.

The program guidelines for this effort are currently being finalized.
Application Opens TBD

Rural Renewables Loans — Additional Funding for Electric Loans for Renewable Energy

$1 billion | USDA | Section 22001

This program — eligible to rural electric cooperatives, investor-owned utilities, 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.
Application Opens TBD

Renewable and Clean Energy Tax Credits: Investment Tax Credit & Production Tax Credits

USTD | 13101, 13102, 13701, 13702

It is expected that more than 2/3 of the Federal funding available through the IRA will come through the enhanced and expanded clean energy tax credits. Page 9 has a full discussion of these tax credits, which apply to a variety of clean energy technologies including wind, solar, and storage. These tax credits are available to cooperatives via direct pay. Importantly, there is no budget cap on these programs so all qualifying projects will receive funds.

The program guidelines for this effort are currently being finalized.
This program begins for qualifying projects in 2023 and will run at least ten years

Rural Energy for America Program

$2.025 billion | USDA | Section 22002

This program provides grant funding up to 40% of project cost and guaranteed loan financing up to 75% of project cost to agricultural producers and small businesses in rural areas. The funding can be used to make energy efficiency improvements or build renewable energy systems, including wind, solar, geothermal, or biomass systems. The IRA expands these opportunities to 41,500 farms and small businesses. $250 million in IRA funds have been released through REAP; Additional tranches of funding ($180 million per year) will be released annually until 2027.

Deadline Oct. 31, 2022 (set-aside), March 31, 2023

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 lower greenhouse gas emissions in currently operating energy infrastructure. This program, designed for larger-scale projects, could be of particular interest to G&Ts seeking solutions that benefit energy communities.

Deadline, rolling through 2026

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.

This program will be run through your state energy office.

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.

This program will be run through your state energy office.

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.

Improving Energy Efficiency, Water Efficiency, or Climate Resilience of Affordable Housing
$1 billion | Section 30002
The HUD Green and Resilient Retrofit program funds improvements to multifamily properties including energy efficiency and climate resilience projects.

Program is awaiting agency guidance.

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.

Program is awaiting agency guidance.

Questions or comments about this guide?
Reach out to frances@pleiadesstrategy.com