Inflation Reduction Act: Implications for CPA

Executive Committee, August 17, 2022
Inflation Reduction Act - Summary

Signed into law by President Biden on August 16

Four major items

- Corporate Tax Reform, including minimum corporate tax of 15% and 1% excise tax on corporate share buybacks
- Extend Affordable Care Act subsidies through 2025, allow Medicare to negotiate prescription drug prices, $2,000 cap on Medicare Part D out-of-pocket costs
- $4bn in western drought relief – much will likely be used for payments to high water use farmers to fallow land or crop switch

Climate and Clean Energy (> $300 billion)

- Consumer tax credits and rebates for transportation and building electrification
- Tax credits and grants for domestic manufacturing of clean energy components and associated new manufacturing facilities, and retooling/new construction in auto manufacturing to support electrification
- Environmental justice/equity block grants and measures to reduce local emissions in and around ports, schools, and other impacted communities
- Grants for agricultural practices and restoration of coastal habitats that act as carbon sinks
- Numerous Clean Energy Provisions – details on next slide
Inflation Reduction Act – Clean Energy

- Extension of Production Tax Credit and Investment Tax Credit at full levels
- Introduction of new incentives, bonuses and penalties into PTC and ITC
  - 80% penalty for not having prevailing wage/apprentice programs
  - 10% bonus for domestic content
  - 10% bonus for being located in an “energy community” or where coal mine/plant has been shut
  - 10% - 20% bonus for small projects (<5MW) and located in low-income community or in conjunction with projects using other federal tax credits (i.e. affordable housing, New Markets)
- Introduction of “Direct Pay” provisions for municipal/public utilities
- Tax credits for non-renewable but low/no carbon technologies
  - Methane leak reduction
  - Nuclear, hydrogen, carbon-capture, biofuels
- Project permitting
  - Extra funding to speed up environmental and project review
  - Side agreement to pursue legislation on permit streamlining/timing guarantees
CPA Opportunities

- Opportunity to lower costs of new renewables through ownership using direct pay provision
  - Potential to lower renewables costs by ~5% - not available to IOUs
  - Would require new project procurement model, including bond issuance and complex operating agreements
  - Would require additional CPA staff resources and expertise

- Potential to accelerate increase in CPA’s load and boost policy efforts through electrification incentives

- Implementation and partnership potential for specific programs, specifically in area of resilience, local pollution reduction, and serving low-income customers
Climate Impact

**Figure 1: US greenhouse gas emissions**

Net million metric tons (mmt) of CO$_2$-e

Source: Rhodium Group. The range reflects uncertainty around future fossil fuel prices, economic growth, and clean technology costs. It corresponds with high, central, and low emissions scenarios detailed in *Taking Stock* 2022.
Upcoming Customer Noticing

**Early September:** Annual Mailer/Email with SCE comparing rates
- CPA is competitive compared to SCE base rates
- Rates for SCE Green 50% and 100% will be displayed per CPUC
  - New enrollment in SCE Green Rate Program is suspended
  - SCE Green rates are lower than SCE base rate (and CPA’s rates)

**Early October:** Annual Power Content Label Mailer/Email

**Early September and Mid October:** Default Change Notice Mailers
- Have worked with each city/BOS communications staff to customize
- Complemented with social media

**Late August through End of Year:** Bill messages regarding end of CARE rate freeze (October 1)