



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



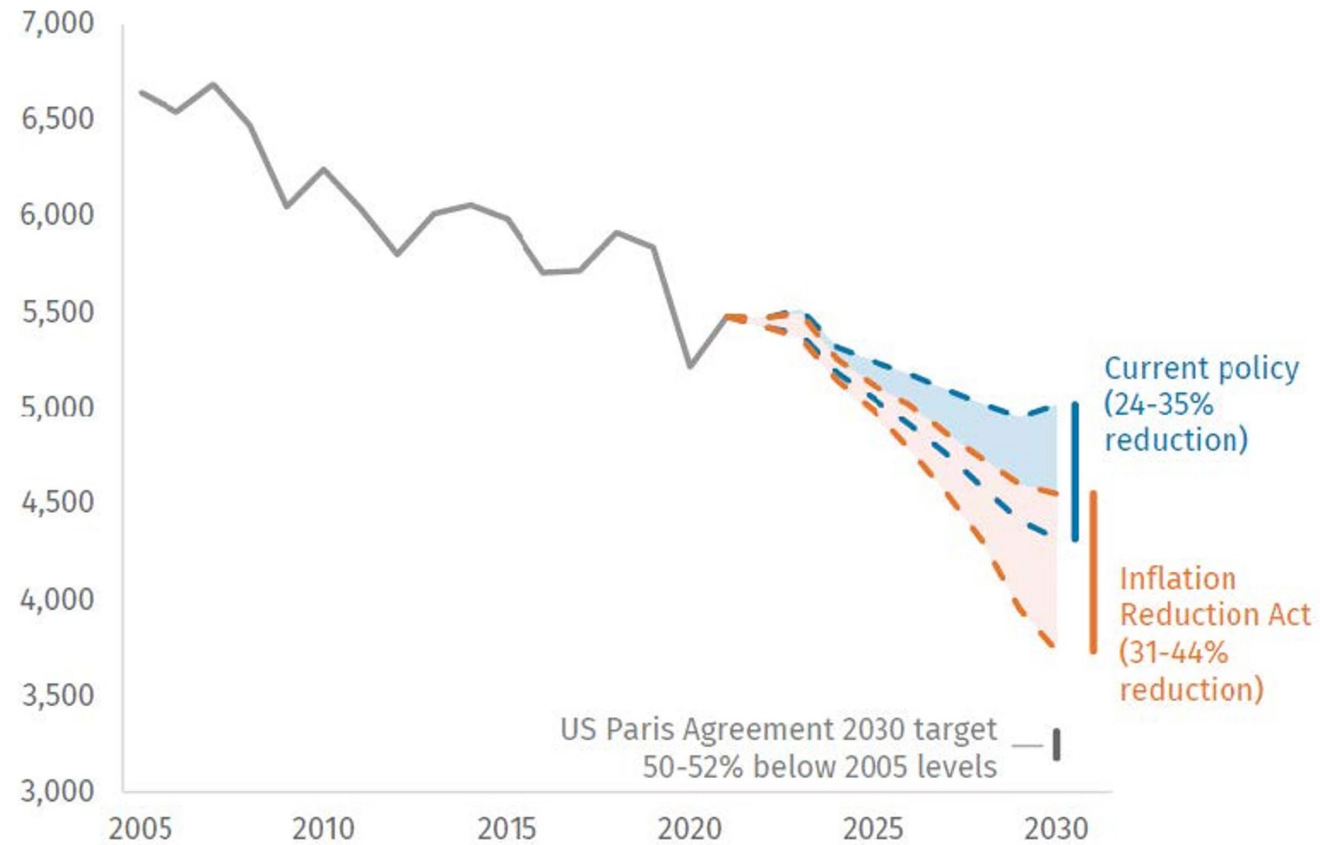
CPA Opportunities

- ⚡ 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 CO₂-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)

