

## INFLATION REDUCTION ACT RESOURCES FOR DISTRIBUTION CO-OPS

### New ERA (Empowering Rural America)

**What it is:** \$9.7 billion dollars in Budget Authority for the long-term resiliency, reliability, and affordability of rural electric systems to achieve the greatest reduction in CO<sub>2</sub>, methane, and nitrous oxide emissions through low-cost loans, grants, loan modifications & other financial assistance.

**Who can use it:** Exclusively for G&T or distribution rural electric cooperatives

**Project types:** Renewable energy and zero-emission systems\*, carbon capture, and G&T energy efficiency and transmission projects that reduce GHGs and produce ratepayer benefits. Distribution co-ops can submit competitive applications for New ERA funding by applying solo or:

- Collaborating with distribution co-ops to develop a Portfolio of Actions for a single application, or
- By collaborating with their G&T supplier to include a distribution co-op's local projects in its proposed Portfolio of Actions for a New ERA application.

Note: Reducing GHG emissions is the priority for all co-op applications. Applicants will be divided into 3 categories based on "Total Utility Plant" value. Co-ops would only compete against other applicants in the same category by size.

**Financial Assistance:** Grants can cover up to 25% of project costs. New ERA can also fund subsidies to interest payments on new loans or modifications of existing loans if the savings are dedicated to investments that reduce GHG emissions. Applicants may also request grant/loan combinations. The max award amount is \$970 million. New ERA awards can be combined with direct payments for the value of federal clean energy tax credits (see page 3).

**How / when can co-ops apply:** USDA will accept Letters Of Inquiry from August 1-31, 2023. The Rural Utility Service (RUS) will then invite full applications (anticipated in fall 2023).

Note: USDA is endeavoring to identify sources of technical assistance for prospective applicants, and questions about the program can be directed to: [SM.RD.RUS.IRA.Questions@usda.gov](mailto:SM.RD.RUS.IRA.Questions@usda.gov).

\*Zero emission systems includes any system that does not produce any GHG emissions when it is operated, including grid-edge upgrades (such as energy efficiency for homes, farm operations, and businesses), microgrid solutions, and other distributed energy strategies.



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### Rural Energy for America Program (REAP):

Farmers and rural businesses have a new opportunity to save money on energy costs and create backup systems to protect their energy supply during severe storms, thanks to new funding in the Inflation Reduction Act (IRA).

The U.S. Department of Agriculture's Renewable Energy for America Program (REAP) has enabled thousands of farms and rural businesses to reduce energy costs by providing grants and loans to buy more energy-efficient equipment, insulate buildings, and generate electricity with solar power and other renewable technologies. The REAP program was expanded last year, and it now provides grants for 50% of the cost of these investments and loans up to 75% of eligible project costs, including backup battery systems that can keep the power on even when the grid goes down. Additionally, electric cooperatives - and all tax-exempt organizations - can now receive direct payments for the value of clean energy tax credits at the federal level (see page 3).

**Eligible groups:** Rural small businesses, agricultural producers, rural electric cooperatives

**Project types include but are not limited to:**

- Energy (solar, wind, hydro, geothermal) \$2,500- \$1M
- Energy Efficiency (HVAC, fans, lighting, windows, doors, controls) \$1,500 - \$500k

**Cost share:** Grants may cover 50% of the project cost for renewable energy projects with zero greenhouse gas emissions and energy efficiency improvements, or are located within energy communities defined by the Department of Energy or proposed by an eligible Tribal Business entity. Other projects are eligible for up to 25% grant share.

**Deadlines:**

- June 30, 2023 - Projects costing over \$20k
- September 30, 2023 - Any size project
- December 31, 2023 - Any size project
- March 31, 2024 - Any size project

**Administering Agency:** USDA Rural Utilities Service

**Curious to see how REAP can help your co-op?** Click here to read about successful projects from across the country: <https://bit.ly/3AeJpQs>

## INFLATION REDUCTION ACT RESOURCES FOR DISTRIBUTION CO-OPS

### Direct Pay Tax Credits

Previously co-ops had to enter complicated financing arrangements with taxable entities to participate in the clean energy investment tax credit programs. Now, thanks to the IRA, co-ops can receive tax credits directly from the federal government through direct payments for the tax credit amount. You can learn more about the tax credits and the stackable benefits below.

**The total value of possible credits - up to 70% of project costs.**

**Main ITC Credit:** Guidance coming from IRS later this year. For now, nonprofits should assume they will have to have project money upfront and will receive direct payment reimbursement from IRS in 1-2 years.

**Low-income community bonus credit program:** The Department Of Energy (DOE) is accepting applications in Q3 of 2023.

- 20% credits - applications open for 60 days in Q3 2023.
- 10% credits - applications open later in the year 2023.

**Main Investment Tax Credit: 30% of project costs:** Must meet labor and manufacturing project standards, projects under 5 megawatts

**Bonus credits: up to 40% in additional credits**

**Stackable bonus credits** \*can use both, plus one low-income credit:

- **Energy Communities (10%)** - brownfield, coal mine closed after '99 or power plant closed after '09, significant employment or tax revenue from extractive industry
- **Domestic Manufacturing (10%)** - components made of steel or iron must be manufactured in the US

**Low-income communities bonus credits** \*only one of these four can be applied, \*not for storage costs:

- Located in a **low-income community (10%)** - poverty rate 20%, median family income limits
- **Tribal Land (10%)** - as defined under 25 U.S. Code 3501(2)
- **Low-income residential (20%)** - HUD, NHA/multifamily housing, Tribal housing authority

**Low-income economic benefit (20%)** - at least 50% of project benefits must go to low-income households.

## INFLATION REDUCTION ACT RESOURCES FOR DISTRIBUTION CO-OPS

### Powering Affordable Clean Energy (PACE)

The PACE program can provide forgivable loans for clean energy projects to be resold to rural and nonrural residents giving rural communities the opportunity to reliably invest in and own local renewable energy projects.

**What it is:** \$1B in partially forgivable loans for utility-scale clean energy

**Who can use it:** Electric service providers (including municipal utilities, electric co-ops, IOUs, Tribal utilities, and utility districts) and states, institutions of higher-ed, nonprofits, and private sector developers

**Project types include but not limited to:** Wind, solar, geothermal, energy storage

**Cost share:** From 20-60% of loan is forgivable (loans available at the municipal rate)

**How/when can co-ops/utilities apply:** USDA will accept LOIs from June 30-September 29, 2023, and will then invite full applications (anticipated in fall 2023)

### Rural Power Coalition (RPC)

The **Rural Power Coalition (RPC)** is a group of place-based organizations representing rural electric cooperative member-owners from the five dirtiest electric cooperatives in the United States. The RPC sees a future for electric cooperatives that is grounded in justice, democracy, and resilience. To achieve this vision, the RPC has put forth a bold, yet common-sense proposal to help all rural electric cooperatives make this transition and build a clean energy system for every resident in their service areas.

**The Coalition is led by:**

Alabama Interfaith Power & Light • Appalachian Voices • Center for Common Ground • CURE • Dakota Resource Council • Dakota Rural Action • Georgia Conservation Voters • Kentuckians for the Commonwealth • Mountain Association • North Dakota Native Vote • Northern Plains Resource Council • One Voice • Renew Missouri • The People's Justice Council • Western Colorado Alliance • Western Organization of Resource Councils

RPC is able to connect member-owners to technical assistance and other state-specific resources in several states including AL, MS, MO, KY, TN, VA, NC, MN, GA, ND, OR, CO, ID, SD, WY

[www.ruralpower.us](http://www.ruralpower.us) | [@RuralPowerNow](https://twitter.com/RuralPowerNow) | [#RuralPower](https://twitter.com/RuralPower)