



RIVERSIDE PUBLIC UTILITIES

Board Memorandum

BOARD OF PUBLIC UTILITIES

DATE: SEPTEMBER 26, 2022

GENERAL MANAGER'S REPORT

ENERGY, CLIMATE, AND DROUGHT RESILIENCY PROVISIONS OF INFLATION REDUCTION ACT OF 2022

On August 16, 2022, President Joe Biden signed into law the Fiscal Year (FY) 2022 budget reconciliation package, the Inflation Reduction Act (IRA) of 2022 (P.L. 117-169). The budget package covers three main legislative items: (1) tax reform; (2) energy and climate investments; and (3) health care. The law will raise \$737 billion and authorize \$369 billion on energy and climate change, and \$4 billion on funding for drought resiliency in western states.

The IRA represents the single biggest climate investment in U.S. history and the first step in a multi-year effort into an enormous expansion of clean energy that would put the country on a path for roughly 40% emissions reductions by 2030.

Below is a summary of some of the most relevant energy, climate, and drought resiliency provisions of the IRA 2022 for Riverside Public Utilities and its ratepayers.

1. **Consumer Energy Costs** – This bill will provide a range of incentives to consumers to lower energy costs. This includes direct consumer incentives to buy energy efficient and electric appliances, clean vehicles, and rooftop-solar; and invest in home energy efficiency. Additionally, a significant portion of the funding is targeted to lower income households and disadvantaged communities. This includes:
 - a. \$9 billion in consumer home energy rebate programs, focused on low-income consumers, to electrify home appliances and for energy efficient retrofits.
 - b. 10 years of consumer tax credits to make homes energy efficient and run-on clean energy, by making heat pumps, rooftop solar, electric HVAC and water heaters more affordable.
 - c. \$4,000 consumer tax credit for lower/middle income individuals to buy used clean vehicles, and up to \$7,500 tax credit to buy new clean vehicles.
 - d. \$1 billion grant program to make affordable housing more energy efficient.
2. **American Energy Security and Domestic Manufacturing** – This bill will support energy reliability and cleaner energy production coupled with historic investments in American clean energy manufacturing. This includes:
 - a. Production tax credits to accelerate U.S. manufacturing of solar panels, wind turbines, batteries, and critical minerals processing with an estimated investment of \$30 billion.

- b. \$10 billion investment tax credit to build clean technology manufacturing facilities, like facilities that make electric vehicles, wind turbines and solar panels.
- c. \$500 million in the Defense Production Act for heat pumps and critical minerals processing.
- d. \$2 billion in grants to retool existing auto manufacturing facilities for the manufacture of clean vehicles, ensuring that auto manufacturing jobs stay in the communities that depend on them.
- e. Up to \$20 billion in loans to build new clean vehicle manufacturing facilities across the country.
- f. \$2 billion for National Labs to accelerate breakthrough energy research.

3. Decarbonize the Economy – The investments in this bill will reduce emissions in every sector of the economy, substantially reducing emissions from electricity production, transportation, industrial manufacturing, buildings, and agriculture. This includes:

- a. Tax credits for clean sources of electricity and energy storage and roughly \$30 billion in targeted grant and loan programs for states and electric utilities to accelerate the transition to clean electricity.
- b. Over \$4.3 billion in tax credits and grants for clean fuels and clean commercial vehicles to reduce emissions from all parts of the transportation sector.
- c. Grants and tax credits to reduce emissions from industrial manufacturing processes, including almost \$6 billion for a new Advanced Industrial Facilities Deployment Program to reduce emissions from the largest industrial emitters like chemical, steel, and cement plants.
- d. Over \$9 billion for federal procurement of American-made clean technologies to create a stable market for clean products, including \$3 billion for the U.S. Postal Service to purchase zero-emission vehicles.
- e. \$27 billion clean energy technology accelerator to support deployment of technologies to reduce emissions, especially in disadvantaged communities.
- f. Up to \$1.55 billion for a Methane Emissions Reduction Program to reduce the leaks from the production and distribution of natural gas.

4. Invest in Communities and Environmental Justice – Building on regular engagement with environmental justice (EJ) leaders from across the country, this package includes over \$60 billion in EJ priorities to drive investments into disadvantaged communities. This includes:

- a. The Environmental and Climate Justice Block Grants, funded at \$3 billion, to invest in community led projects in disadvantaged communities and community capacity building centers to address disproportionate environmental and public health harms related to pollution and climate change.
- b. The Neighborhood Access and Equity Grants, funded at \$3 billion, to support neighborhood equity, safety, and affordable transportation access with four competitive grants to reconnect communities divided by existing infrastructure barriers, mitigate negative impacts of transportation facilities or construction projects on disadvantaged or underserved communities, and support equitable transportation planning and community engagement activities.
- c. Grants to Reduce Air Pollution at Ports, funded at \$3 billion, to support the purchase and installation of zero-emission equipment and technology at ports.
- d. \$1 billion for clean heavy-duty vehicles, like school and transit buses and garbage trucks.

5. **Farmers, Forestland Owners and Resilient Rural Communities** – This bill will make historic investments to ensure that rural communities are at the forefront of climate solutions. This includes:
- a. More than \$20 billion to support climate-smart agriculture practices.
 - b. \$5 billion in grants to support healthy, fire resilient forests, forest conservation and urban tree planting.
 - c. Tax credits and grants to support the domestic production of biofuels, and to build the infrastructure needed for sustainable aviation fuel and other biofuels.
 - d. Cooperatives and public power utilities are no longer excluded from Direct-Pay Election tax incentives that for-profit utilities receive for energy innovation. Under the IRA, cooperatives and public power will be eligible for direct payments for existing technologies already eligible for clean energy tax credits and new technologies.
 - e. \$2.6 billion in grants to conserve and restore coastal habitats and protect communities that depend on those habitats.
6. **Drought Response and Preparedness** – The IRA includes nearly \$4.6 billion for western drought and water projects. This includes:
- a. \$4 billion to mitigate the impacts of drought in the Western States, with a priority to the Colorado River Basin and other basins experiencing long-term drought.
 - b. \$550 million to provide domestic water supplies to communities or households that do not have reliable access to domestic water supplies.
 - c. \$25 million to provide grants for solar photovoltaic systems constructed over water canals.
 - d. \$12.5 million for FY 2022 to assist Indian Tribes to undertake “near-term drought relief actions to mitigate drought impacts” – including direct assistance for drinking water.

Attachments:

- 1. Thorn Run Partners – Local Government Grant Provisions
- 2. Thorn Run Partners – Hydrogen, Biogas, and Energy Storage Provisions