



Desert Blooms: Nourishing Future Abundance Through Investment

# Financing Clean Energy Projects with the Inflation Reduction Act

June 12, 2024

Treasurer Amy Minniear, Sam Lipman,  
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# Clean Energy Projects

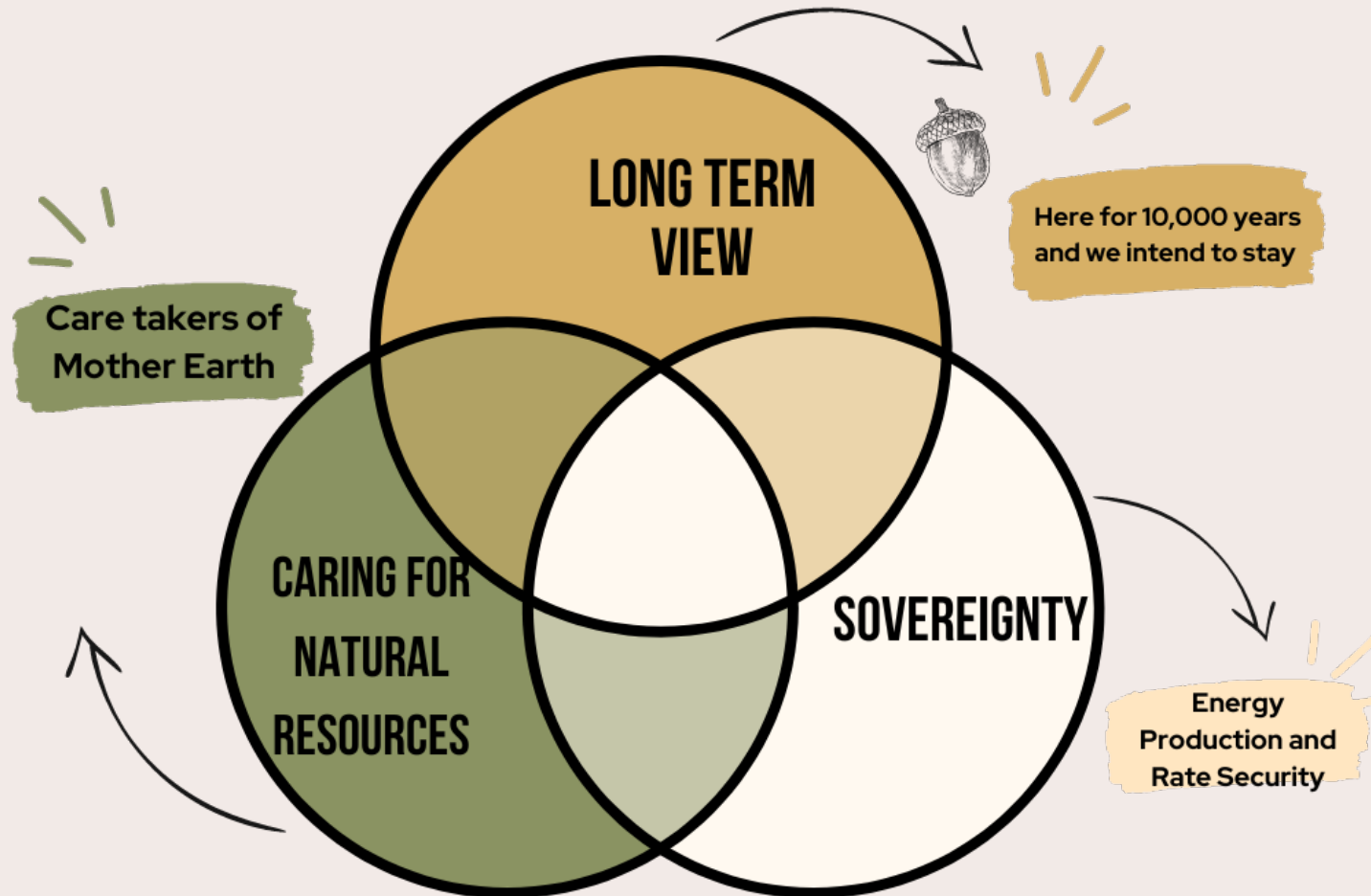
Pechanga Band of Indians



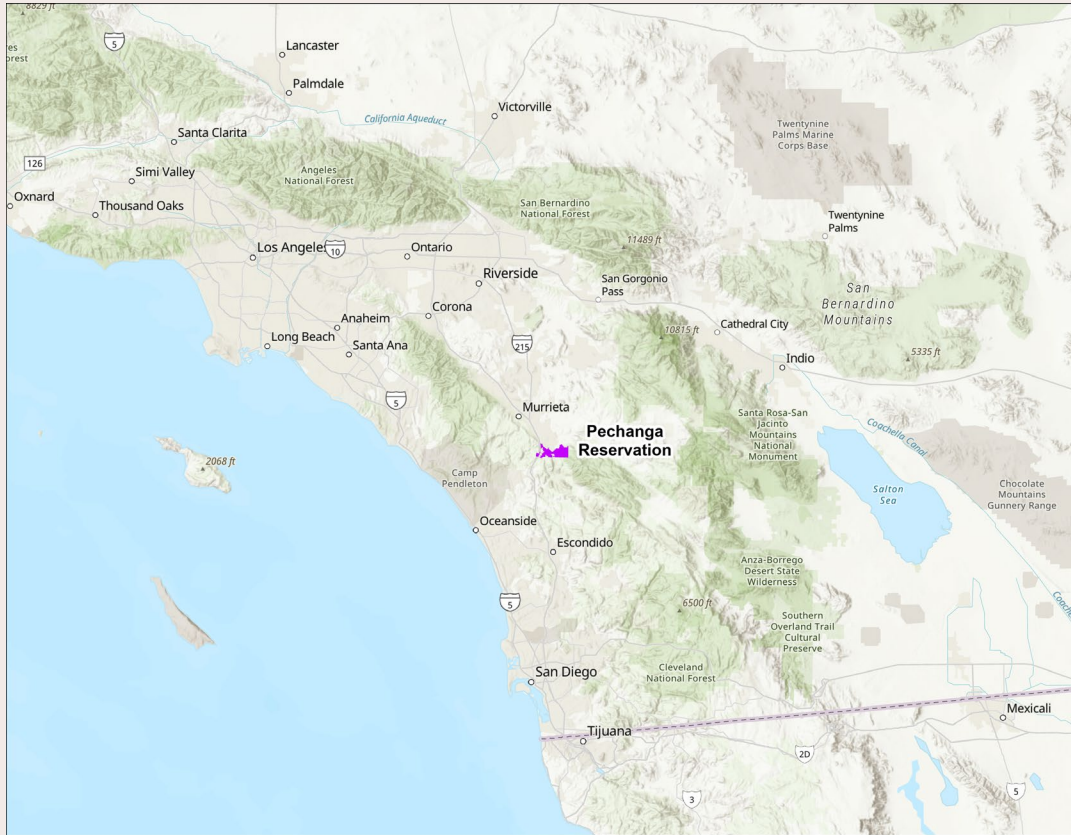
**Pechanga Tribal Treasurer  
Amy Minniear**



# Why Clean Energy how is affects Tribal Economics/Finance



# Challenges in our Energy Sovereignty



- 33KV Line
- Power flows to and from PWE through various arrangements overseen and priced by the non-profit grid operator, the **California Independent System Operator (CAISO)**.



# Cogen I

Energy Sovereignty

5.85 gross/4.6MW net natural gas fired

Cogeneration Plant

Doubling the use of the energy production

Reducing energy costs

# <sup>5</sup>Tesla Battery Pack

More Sovereignty

Now Cutting Costs

Installing a 1.1MW battery storage system

near the Great Oaks Substation

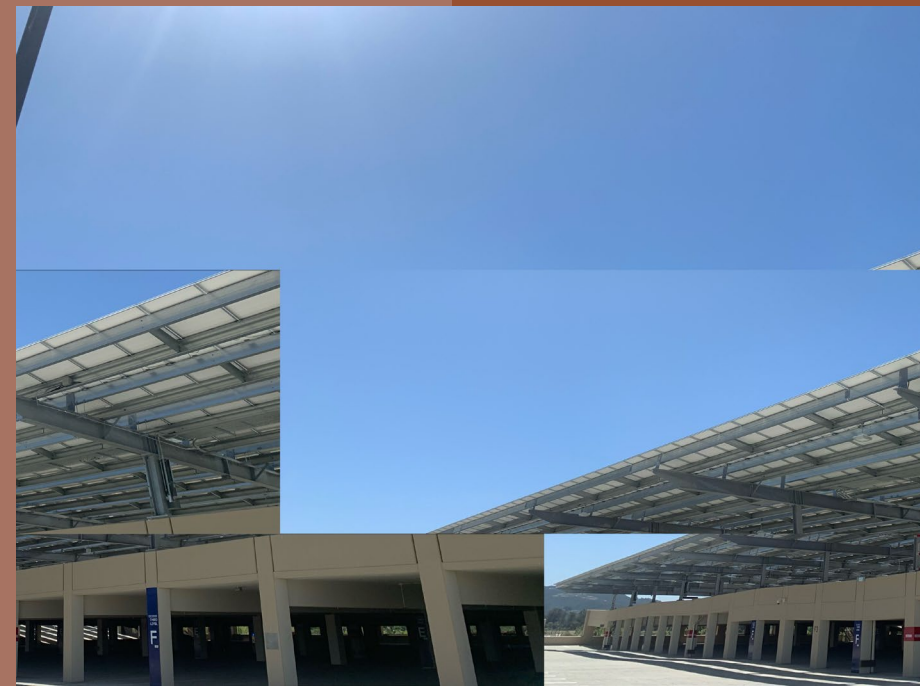


# Solar Parking Garage

Clean energy generation

Pechanga currently owns a 1.3MW rooftop system

Reduction costs



# Solar Tribal Housing

Energy security and sovereignty for Tribal members

Reduction in energy expenses for Tribal members





# Sustainable Operations

Creating the right team

Planning Engineers

Electrical Engineers

Legal

All Governments are more sustainable when controlling or reducing mandatory fixed costs.

Guaranteed Demand when it comes to power





Thank you!

# Developing and Financing Solar Generation for Tribes

**Sam Lipman**

Director of Community and Utility Solar Development, ICAST





# Who We Are

- 22+ year old 501C3 national nonprofit
  - ✓ One-Stop-Shop (Assessment, Planning, Design & Engineering, Installation, Financing, Training)
- Customers across 20 states
  - ✓ Extensive work with Governments and Utilities
  - ✓ Program Manager for Public Service of New Mexico and El Paso Electric
  - ✓ Provided guidance to the State of NM Energy, Minerals and Natural Resources Department (EMNRD) "Solar For All" Program. Wrote their application.
  - ✓ Certified Technical Assistance provider to HUD, USDA-RD, and Enterprise Community Partners
  - ✓ 42MW Solar with 24MWhrs of Storage currently under development with Municipalities, Rural Electric Utilities and Tribes



# About TBL Fund

- ❖ Certified by the U.S. Treasury as a Community Development Financial Institution (CDFI)
- ❖ Financial Ally to the U.S. Department of Energy's Better Building Challenge.
- ❖ Offers Financing and Technical Assistance for Clean Energy projects in DAC
  - ✓ Specializes in Energy Financing:
    1. SPPA (solar power purchase agreements)
    2. PACE (property assessed clean energy)
    3. EPC (energy performance contracts) / EaaS (Energy as a Service).



# Community Solar

## Solar for the tribal community vs traditional community solar

- Advantages of community approach
  - ❖ No cost outlays to members
  - ❖ Not restricted to residential rooftops that may need to be replaced
  - ❖ Not restricted to residential rooftops that are not large enough or with right orientation
  - ❖ No shading issues
  - ❖ Scalable



# Financing a Community Solar Project

- Due Diligence Checklist
  - ❖ Interconnection
  - ❖ Environment
  - ❖ Structural
  - ❖ Construction
  - ❖ Commission
  - ❖ Key Contract Provisions



# Financing Strategy - Direct Ownership



- ❖ The expected return on investment is usually highest with ownership when compared to other contract or financing structures.
- ❖ Opportunity to own Solar asset
- ❖ Eligible to apply for other incentives

# Financing Strategy - Solar Power Purchase Agreement



**Solar Power Purchase Agreement-** A solar power purchase agreement (SPPA) is a financial arrangement in which a third-party developer or investor owns, operates, and maintains the photovoltaic (PV) system, and a host customer agrees to purchase the system's electric output from that 3<sup>rd</sup> Party Service Provider for a predetermined price

- ❖ No Capital Outlay
- ❖ No Short or Long-Term Debt
- ❖ No Operation and Maintenance responsibility or liability
- ❖ Only pay for solar generated





# Financing Strategy - Hybrid Models



Stages of Development	Bridge Loan (Pre-incentive)	Long Term Debt
Tribe Develops and builds own project	Development - \$250,000-\$350,000 Construction - \$8,000,000 - \$9,000,000	20-30 years
Investor/Developer sells project to Tribe at Notice to Proceed (NTP)	Construction	20-30 years
Investor/Developer sells project to Tribe upon construction and commission of project	None	20-30 years
Investor/Developer owns and operates solar facility for a give number of years and then transfers ownership to the Tribe	None	Paid for through energy savings
Investor owns and operates solar facility for entire term of SPPA	None	None

# Benefits and Goals

- Economic development projects for Tribes
  - ❖ Long term Contract-Predictable cost to Tribe and Tribal Member
  - ❖ Utility bill savings for all Tribal members
  - ❖ New Job Opportunities in growing industry through workforce training and Paid Apprenticeship opportunities for tribal members.
  - ❖ Energy Resiliency
  - ❖ Micro Grid for Energy Independence /Tribal Utility for Energy Sovereignty



## Sample Funding Opportunities

1. **EPA Climate Pollution Reduction Grant Program:** \$5B that has planning and then Implementation. \$25M, \$500 individual, \$1M Coalition.
2. **Pollution Prevention Grant: Environmental Justice in Communities:** \$8M Total funding for first round of EPA P2 Funding. Multiple other opportunities.
3. **DOE Energy Improvements in Rural or Remote Areas (ERA) Program:** \$300M first round with awards for \$10 to \$100M.
4. **DOE Clean Energy Deployment on Tribal Lands:** \$50M bucket, \$5M Awards for Clean energy projects. There will be multiple rounds.
5. **DOE Energizing Rural Communities Prize-** \$15M Bucket to help build rural coalitions.




# EPA Funding Opportunities

## \$\$\$\$ Billions of Funding coming from EPA

### Current Open Grants Include:

#### *Climate Pollution Reduction Grant Program: Formula Grants for Planning*


- Total \$25M for Tribes. \$500k per individual Tribe, \$1M for a Coalition. Noncompetitive.
- First Stage is Planning on how to reduce GHG emissions in the community. 2nd stage is for implementation in early 2024 (\$\$\$). Must apply for plan to get 2nd round funding.



**Climate Pollution  
Reduction Grants**

**\$5 billion**

from the Inflation Reduction  
Act to fund innovative projects  
that tackle climate pollution

 EPA

The graphic features a green background with a faint image of a building and landscape. The text is white and black, with the amount '\$5 billion' in a large, bold font. The EPA logo is in the bottom right corner.

# EPA Funding Opportunities cont.



## Current Open Grants Continued:

### ***P2 and Environmental Justice Grants***

- *P2 Environmental Justice in Communities*: \$800k for individual tribes, \$1.2M for tribal coalitions to reduce GHG in tribal businesses. Can be used for clean energy work.
- *Environmental Justice Government to Government Grant Program*: \$70M bucket. \$1M Awards for Tribal governments to partner with nonprofits and tackle challenges in EJ communities- includes emission reductions, electrification, weatherization ect.
- *Environmental Justice Collaborative Problem Solving Grant Program*: \$30M bucket. \$500k awards for Nonprofits to work with in EJ communities. includes emission reductions, electrification, weatherization ect.
- These are the First Funding Oppurtunities of the \$2.8B Environmental and Climate Justice Block Grant funding from EPA

# DOE Funding Opportunities

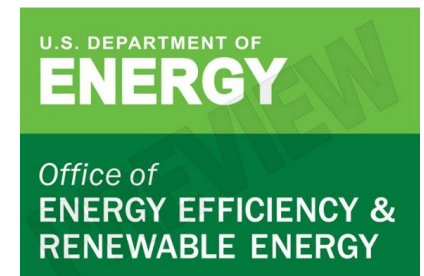
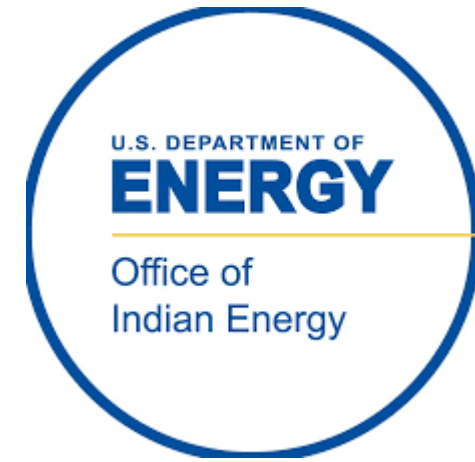
## Current Open Grants Include:

### ***DOE Energy Improvements in Rural or Remote Areas (ERA) Programs.***

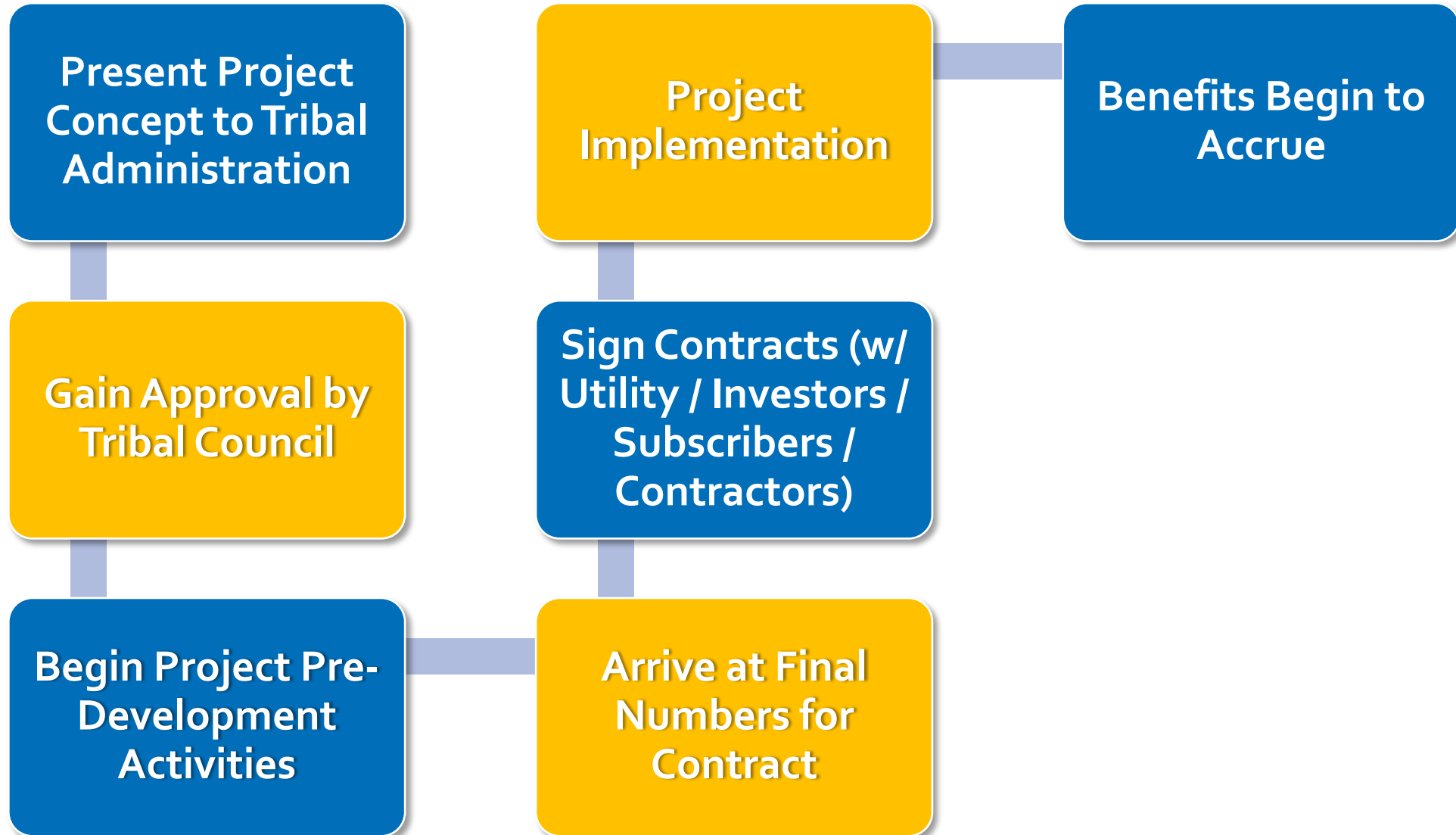
- \$300M first round with awards for \$10M to \$100M for multiple community applications. Will be several rounds of funding
- Can be used for clean energy upgrades, electrification, EE, weatherization, grid upgrades and utility infrastructure
- ***DOE Energizing Rural Communities Prize-*** \$15M Bucket to help build rural coalition- can include tribes, nonprofits and others . The prize is designed to be a starting point for ERA projects.

### ***DOE Clean Energy Deployment on Tribal Lands:***

- \$50M bucket, \$5M Awards for Clean energy projects. Tribal Applicants.
- Projects need to be developed. There will be multiple funding rounds.



# Process and Milestones



# Thank You!

## Questions?







# Native CDFI Capital Access Convening

June 12, 2024

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# NOW is the time for Tribes to think about clean energy

- Clean energy often less expensive, more consistent with other values
- Owned energy assets provide control/sovereignty

## AND

- Federal tax credits of 30-70% of eligible costs are available for the first time for tribal governments and other tax-exempt entities
- Federal funding (grants and/or loans) in Bipartisan Infrastructure Act and Inflation Reduction Act available
- May be state funding or other private funding available (grants/loans)
- National Clean Investment Fund (NCIF) - \$14 billion provided to fund energy projects, with focus on low-income/disadvantaged, rural, and tribal communities

# Many new options for financing clean energy property

- Look for “low hanging fruit” projects to do NOW – projects that can qualify for grants and credits and generate cost savings, which can fund future projects...
- ...AND start thinking about other ways in which tribes can benefit from clean energy technologies and the clean energy transition
- Tribes need to carefully evaluate financing options for their projects
  - Options that were standard a few years ago may look different now – re-evaluate
  - Often incentives and other assistance can “stack”
  - New financing mechanisms are being developed...

# Tax Credit Examples

# Clean Energy Project Financing Example

**Example:** Tribe plans to install solar panels (under 1 Mw capacity) to provide power for a building on tribal land in an energy community. They received an allocation of the low income community (tribal land) bonus credit. Cost is \$300,000 in Year 0. Total tax credit is \$150,000 (50%).

<b>Solar Project Budget</b>	<b>300,000</b>	
Less: Federal Credit	<u>150,000</u>	(\$300,000 * 50%)
Net cost	150,000	Can be funded from any source

# Clean Energy Project Financing Example (cont.)

Tribal building annual energy bill is \$30,000 currently; with the solar project, the annual electricity bill will be \$5,000, freeing up \$25,000 per year in operating costs for the life of the project.

	1	2	3	4	5	6	7 +
Debt	150,000	125,000	100,000	75,000	50,000	25,000	0
Savings to pay project costs	25,000	25,000	25,000	25,000	25,000	25,000	
Savings for tribal use	0	0	0	0	0	0	25,000

# What's the catch with direct pay tax credits?

- Tribe doesn't receive tax credit cash until:
  - the property is placed in service
  - pre-filing registration is completed (allow 4 months)
  - the tax year ends and Form 990-T is timely filed electing direct pay in Year 2 (up to 10.5 months after the end of Year 1)
  - the IRS processes the return (after the due date and after return is filed) and sends the cash (potentially in Year 3)
- Net cost to Tribe may be only \$150,000 – and they may have that available (through reserves, grants, etc.), **BUT...**
- Tribe needs the full \$300,000 in Year 0 to pay contractors.



# Direct Pay for Clean Energy Credits (cont.)

Tribe needs \$300,000 to pay contractors. **Where to get it?**

- **Federal and state grant funds?**
  - Often will be specifically for the purpose of the project, and could be “restricted tax exempt amounts”, which can reduce the credit amount.

# Direct Pay for Clean Energy Credits (cont.)

Tribe needs \$300,000 to pay contractors. **Where to get it?**

- **Federal and state grant funds?**

- Often will be specifically for the purpose of the project, and could be “restricted tax exempt amounts”, which can reduce the credit amount.

- ***What to do?***

- Restricted grants are OK up to the non-credit percentage of the project – no reduction in credit until total of grant + tax credit exceeds the cost
- Restrictions may not be for same project scope - document use of grant funds for non-credit eligible portions of the project

# Direct Pay for Clean Energy Credits (cont.)

Tribe needs \$300,000 to pay contractors. **Where to get it?**

- Federal and state grant funds?
  - Often will be specifically for the purpose of the project, and could be restricted tax exempt amounts, which can reduce the credit amount.
- **Private contributions and grants?**
  - Are they specifically for the purpose of the project? If so, may reduce credit
- ***What to do?***
  - Communicate with funders to draft grant agreements that will not reduce credit amounts – for example:
    - Specify that grant will fund costs that are not credit eligible
    - Provide discretion for grantee to use funds for variety of purposes or projects

# Direct Pay for Clean Energy Credits (cont.)

Tribe needs \$300,000 in 2024 to pay contractors. **Where to get it?**

- Federal and state grant funds?
  - Often will be specifically for the purpose of the project, and could be restricted tax exempt amounts, which can reduce the credit amount.
- Private contributions and grants?
  - Are they specifically for the purpose of the project? If so, may reduce credit
- **Loans?**
  - Provided not forgivable loans, they likely are not restricted tax-exempt amounts, so they would not risk credit reduction.
  - Cost of capital may be included in credit-eligible basis (increasing credit)
  - Contractor financing may be available – but at what price?
  - Private foundation program related investments or mission related investments?
  - CDFIs – GGRF capitalization can be seen as a key compliment to tax credits

# Direct Pay for Clean Energy Credits Example (cont.)

Tribal building annual energy bill is \$30,000 currently; with the solar project, the annual electricity bill will be \$5,000, freeing up \$25,000 per year in operating costs for the life of the project. Government restricted grant of \$50,000; credit bridge loan of \$150,000, project debt of \$100,000.

	0	1	2	3	4	5
Project Costs	<u>300,000</u>					
Grant	50,000					
Debt	250,000	250,000	225,000	50,000	25,000	0
Savings - pay project debt		25,000	25,000	25,000	25,000	25,000
Tax Credit; pay bridge loan			150,000			
Savings for tribal uses	0	0	0	0		25,000

# Overview of Investment Tax Credit

# § 48/48E Investment tax credit (ITC)

One-time investment tax credit equal to a percentage of the eligible basis of qualifying energy property placed in service during the taxable year.

Eligible basis



ITC %



ITC



## Eligible Basis

- Compute eligible basis based on project costs
- Cost segregation analysis identifies eligible vs. ineligible direct costs
- Generally indirect costs allocated based on direct costs



## ITC %

- Base rate without prevailing wage & apprenticeship (e.g., 6%)
- Prevailing wage & apprenticeship multiplier (x5 = e.g. 30%)
- Domestic content bonus (add up to 10%, potential reduction if not met)
- Energy community bonus (add 10%)
- Low-income communities bonus (add 10/20% - by application only)

# Prevailing Wage & Apprenticeship (PWA) “Bonus”

- “Bonus rates” are available for projects which satisfy certain wage and apprenticeship requirements during construction and operation of the projects
  - Bonus rate is generally 5 times the “base rate” (e.g., 30% vs 6% base)
- Meeting PWA requirements can also be key to getting other top bonus credit rates
- Projects with maximum net output of less than 1 MW (or battery storage with capacity of less than 1 MW) get the 30% bonus rate without having to meet the PWA requirements



# Domestic Content “Bonus” (and Reduction)

- For several credits, an additional **up to 10% credit rate** may be available if projects are constructed using specified levels of domestically sourced steel, iron, and manufactured products (minimum is 40%, increasing over time to 55%)
- For applicable entities using direct pay, the main investment and production tax credits (*i.e.*, 48/48E/45/45Y), for projects of 1 megawatt or more **phase down beginning in 2024** if domestic content requirements are *not* met.

# Domestic Content Reduction (for Direct Pay Only)

- For direct pay, main investment and production tax credits for projects of 1 megawatt or more **phase down beginning in 2024** if domestic content requirements are *not* met:

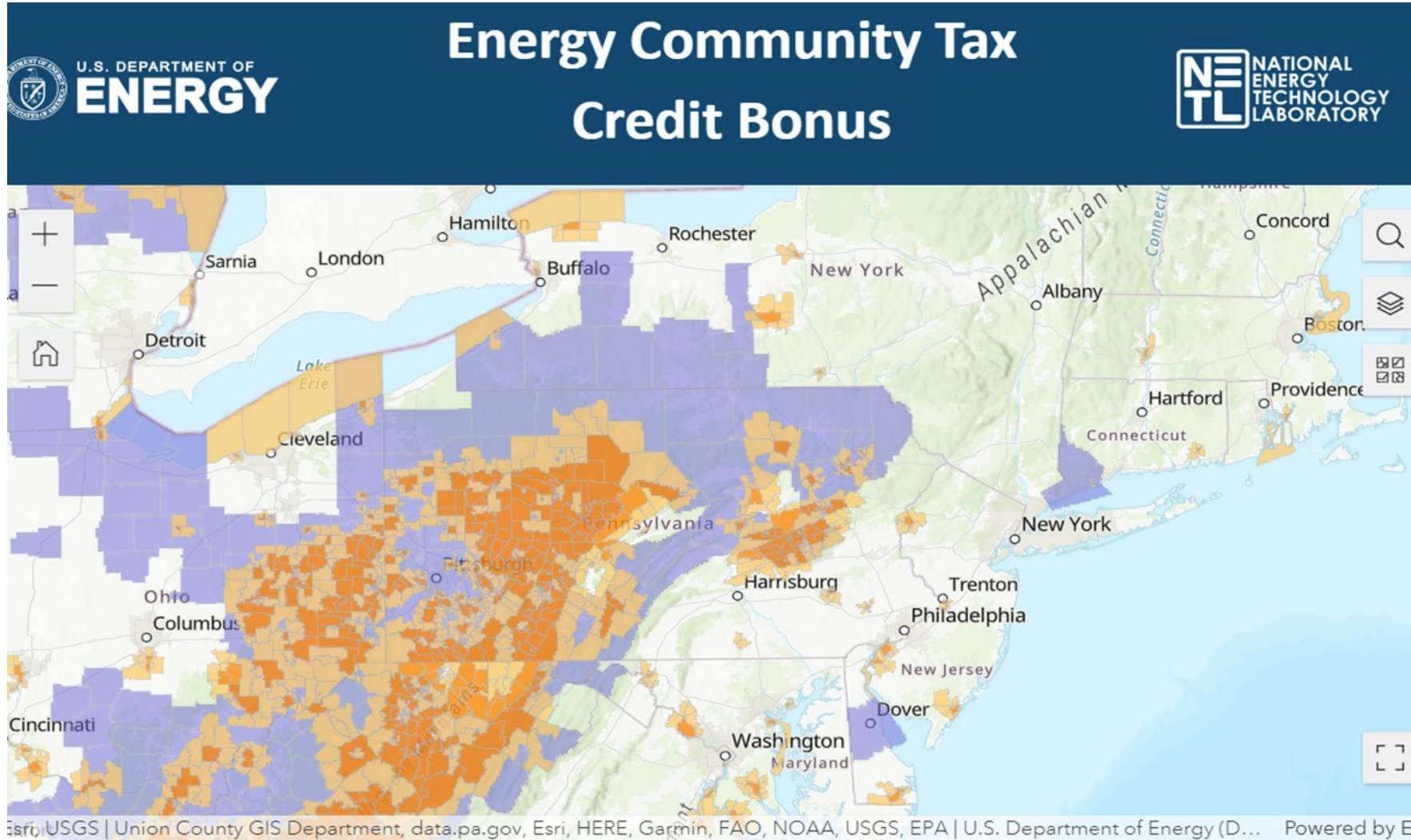
Begin Construction	% of Credit Available for Direct Pay
Before 2024	100%
In 2024	90%
In 2025	85%
After 2025	0%

- Statute provides Treasury shall provide exceptions if there is insufficient US supply or if use of US content would increase costs by more than 25%
- Notice 2024-9 provides guidance on how to claim statutory exceptions for property beginning construction before 1/1/25; requests comments to inform forthcoming proposed regulations

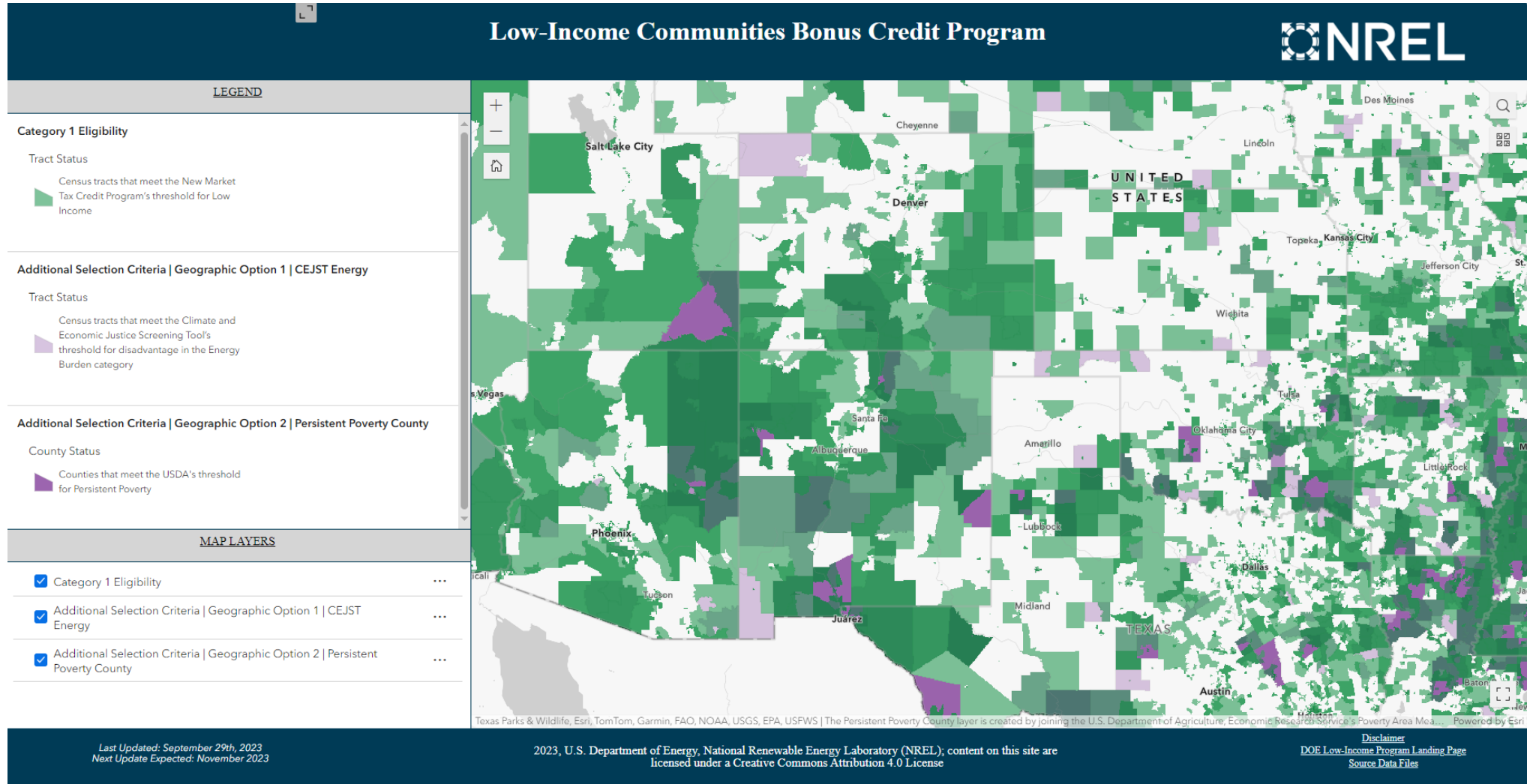
# Energy Communities & Low-Income Communities Bonuses

- Additional bonus credit rate of **up to 10%** available for certain credits for energy projects located in “energy communities” – including brownfields and certain communities formerly reliant on coal and fossil fuel industries
  - Credits impacted: 45, 45Y, 48 and 48E
  - See Notice 2024-48 for most recent guidance relating to energy communities
- Additional bonus credit rate (**10% or 20%**) available for the Section 48/48E ITC for small solar and wind projects (under 5 megawatts) in or benefiting certain low-income communities under an allocation program operated by the Department of Energy
  - Located in a low-income community or on Indian land (+10%)
  - Low-income housing projects/low-income economic benefit projects (+20%)

# DOE Mapping Tool: Energy Communities



# DOE Mapping Tool: Low-Income Communities



# Low-Income Communities Bonuses

- Department of Energy administers the Low-Income Communities Bonus Credit Program in conjunction with the Treasury Department and IRS – more information is on their website at: <https://www.energy.gov/justice/low-income-communities-bonus-credit-program> and the application portal is at: <https://eco.energy.gov/ejbonus/s/>
- Application submissions for the 2024 Program Year of the Low-Income Communities Bonus Credit Program opened on May 28, 2024. The initial 30-day application window will conclude on June 27 at 11:59 pm ET. Following the 30-day period, DOE will generally accept applications on a rolling basis and will review applications and provide recommendations to the IRS in the order applications are received.

# Credit Amount Adjustments

- Underlying credit provisions (e.g., § 48) may provide that credit amount is reduced if **tax-exempt bond financing** is used
  - For example, the section 48 investment tax credit may be reduced up to 15% if the property is tax-exempt bond financed
- Direct pay proposed regulations provide a reduction of credit amount if property is acquired with income (including grants and forgivable loans) that is exempt from tax and received “for the specific purpose” of acquiring certain “investment-related credit property”
  - Credits impacted: Sections 30C, 45W, 48, 48C, 48E

# Direct Pay for Clean Energy Credits Example

**Example:** Tribe plans to install solar panels (under 1 Mw capacity) to provide power for a building on tribal land in an energy community. They received an allocation of the low income community (tribal land) bonus credit. Cost is \$300,000 (assume all eligible costs). Total tax credit is \$150,000 (300,000 x 50%).

Investment tax credit	Rate	
Base rate (PWA)	30%	PWA base (no PWA requirement bc <1Mw)
Energy community	10%	Formerly reliant on fossil fuels, coal mine
Domestic Content	--	No bonus; no reduction (1 Mw exception)
Tribal land/econ. development	<u>10%</u>	Allocated bonus – must apply
Total credit rate	50%	



# Clean vehicles and charging property

# Sec. 45W: Commercial Clean Vehicle Credit

Provides a new credit for qualified commercial clean vehicles (“QCCVs”) acquired for business use/lease by the taxpayer (and not for resale)

- Credit is equal to the lesser of:
  - 15% of the cost of such vehicle (30% in the case of a vehicle not powered by a gasoline or diesel internal combustion engine), or
  - The incremental cost of such vehicle.
    - The incremental cost of a qualified commercial clean vehicle is the excess of the purchase price for the clean vehicle over the price of a comparable vehicle (one powered solely by a gasoline or diesel internal combustion engine comparable in size and use)

# Sec. 45W: Commercial Clean Vehicle Credit (cont.)

- Maximum credit:
  - QCCVs with a gross vehicle weight rating under 14,000 lbs: \$7,500
  - All other QCCVs: \$40,000
- New credit for “mobile machinery” – e.g., commercial lawnmowers
- Effective for vehicles acquired in 2023 through 2032
- ***No prevailing wage or apprenticeship requirements***

# Sec. 30C: Electric Vehicle Refueling Credit

## Extension of EV charging stations credit (§ 30C)

- Up to 30% of qualifying costs (“bonus rate”) if prevailing wage and apprenticeship requirements are satisfied, otherwise 6% (“base rate”)
- Business credit cap increased to \$100,000
  - ***Note that credit is now only available for charging stations installed in census tracts that qualify as low-income communities (as defined under the new markets tax credit) or in census tracts that are not urban census tracts***
- Credit available for property placed in service before 2033

Questions?



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