

Climate and Energy in the *Inflation Reduction Act of 2022*

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Why We're Here Today

- Energy industry significance
- New tax incentives for public power
- Hydropower opportunities
- Time-constrained decision milestones
- Next steps and upcoming information

Industry Impacts

- \$369 billion for energy/climate investments
 - Energy/fuels tax incentives
 - Transmission development
 - Regulatory and permitting processes
 - Greenhouse gas reduction, conservation, ecosystem restoration
- Fees for natural gas and oil/gas royalty increases
- Federal leases for energy development

Direct Impact to PUD

- “Direct Pay” goal achieved
 - Payment from the federal government when we make eligible investments
- Public power eligible for many existing and new tax incentives (examples)
 - New renewable energy
 - Carbon capture
 - Storage
- Protected from “sequestration” cuts

Incremental Hydropower Treatment

- Extends the production tax credit (PTC) for incremental hydropower
- Increases hydro PTC to match the amount for wind (formerly was half the amount)
- Extends option to choose investment tax credit (ITC)
- 2024 through 2032 incremental hydropower is eligible for new tax credit

What is Incremental Hydropower?

- Percent of average annual hydropower production due to efficiency improvements or additions of capacity at existing dams
- Calculated using same water flow information and historic average annual hydropower production baseline
- Does not include operational changes
- FERC certifies percentage and baseline
- Eligibility windows

Restrictions and Requirements

- Prevailing wage and apprenticeship requirements set the size of credit
- Domestic content requirements
 - Not required before 2024

Eligibility Windows (Time constraints)

- Amount of a potential payment will depend on investment decisions being made in the short term
- Direct pay opportunity starts in tax year 2023
- Fewest requirements for projects starting construction before 2024
- Regulations and guidance expected from IRS (may take some time)

Next Steps

- Review existing projects for eligibility
- Choose best incentives from various legislation
- Monitor IRS guidance for public power
- Engage with EPA to ensure hydropower remains eligible
- Consider effects on energy markets
- Review customer owner incentives
- Monitor how federal funding may impact PUD interests in various forums

Questions?