



# Renewable Energy at SPPS: July Update

Facilities Department

Energy Action Plan Website: [spps.org/Page/39291](https://spps.org/Page/39291)

## Inflation Reduction Act: June Guidance

The Facilities Department continues to keep a close eye on federal guidance on incentives for renewable energy projects in the Inflation reduction Act (IRA). Additional federal guidance was received in June 2023 on the process of how to claim the Investment Tax Credit or ITC, (an up to 40% direct payment) for renewable energy investments such as solar or geothermal. The term "direct payment" is now being used interchangeably with the term "elective payment".

The IRS is creating an online pre-filing registration for elective pay, more information is set to be released about pre-filing in late 2023. The steps to receive the ITC are: (1) Place project into service (2) Complete pre-filing registration with the IRS to receive a registration number. (3) Complete all documentation to satisfy eligibility requirements for the tax/bonus credit and bonus credits (4) File tax return (form 990-T) with registration number making elective payment election. (5) Receive credit.

In short, the District would finance the clean energy project, and file a tax return with the IRS the year the project goes into service to claim elective pay for the value of the ITC. As the school district would not owe federal income tax, the IRS would make a refund payment or direct payment in the amount of the full credit to the District.

## ITC for Ground Source Geothermal

The geothermal project that went into service at Johnson Senior High School this year is eligible for the Investment Tax Credit. There is a temporary provision in the IRA for projects that started construction before January 29th, 2023 do not need to provide documentation of prevailing wage and apprenticeship requirements to receive the full credit. There will be additional administrative work and documentation to prove the start of construction date and when it was placed into service. The pre-filing registration for this project will open later this year when the IRS releases more information. The upcoming geothermal projects at Hidden River and Bruce Vento will require more extensive administrative work to document prevailing wages and require 15% of work to be apprentices to receive the credit.

## Solar RFP

Subsequent to the issuance of the solar Request For Proposal (RFP) last year, Minnesota and the US have witnessed a transformation in the financial and strategic landscape for renewable energy options, a trend which continues to emerge. Formerly, the Investment Tax Credit was exclusively for solar developers; however, due to IRA, SPPS can now directly claim the credit without needing to engage in a 20-year Power Purchase Agreement (PPA) to gain a portion of the credit's benefit via a third party. Additionally, emerging financing models for renewable energy such as Property Assessed Clean Energy (PACE) or layered state and federal programs are

being considered for project financing. The RFP will be re-worked to focus on ownership of the array, rather than a PPA to take advantage of new options, and a thoughtful approach to potential funding strategies will help manage the out-of-pocket and long term costs to the District (and, hence, taxpayers) for the arrays.

In light of the passage of the Inflation Reduction Act and the Minnesota Climate Bill spurring utilities to accelerate greening of the grid, along with the District's re-roofing projects and anticipated construction, a re-examination of our building portfolio is underway to identify the most viable solar project opportunities in this RFP cycle. Last year's solar RFP included Eastern Heights, EC Hub West, and Washington Technology Magnet, all of which were deemed feasible for rooftop solar as part of the 2019 solar feasibility study Facilities conducted. Eastern Heights and EC Hub West were re-roofed in 2015, which were already beyond the established 5-year criteria for roof age in the last RFP, so additional condition evaluation will be necessary, but EXPO Elementary and Harding High School are being assessed for inclusion in the rollout plan. Two upcoming projects, Washington Technology Magnet and the new Bruce Vento Elementary, set for completion in 2025, present the most promising potential for this round of the RFP. For the new Bruce Vento, the architects and engineers of the project have designed the building to accept rooftop solar panels, and an analysis confirmed that the panels would be able to offset their own carbon footprint after 7 years of continuous use.