



**Saint Paul**  
PUBLIC SCHOOLS

## Energy Action Plan: June 2023 Update

Facilities Department

Project Website: [spps.org/page/39291](https://spps.org/page/39291)

### Energy Action Plan Update for School Year 2023

In the Fall of 2019, SPPS built an Energy Action Team who created the first draft of the [District Energy Action Plan](#), with an overall goal to reduce greenhouse gas emissions 45% by 2030. In 2022, the Energy Action Team identified the need to broaden engagement, build strong partnerships, and include additional strategies for the next phase. The core team of staff recruited a broader group of District and community representatives to join the Energy Action Team to review implementation progress, refine strategies and draft an updated plan. The final draft of the updated Energy Action Plan can be expected in summer 2023, with an MOU to the school board to continue implementation support from Xcel Energy.

The plan includes two focus areas: Operations and Community. Operations strategies focus on building system improvements and include energy efficiency and renewable energy technologies. The Community strategies focus on energy education and behavior change. The focus of this update will be on the Operations strategies within the Energy Action Plan.

### Energy Efficiency, Energy Use and Conditioned Spaces

SPPS Facilities tracks, monitors and benchmarks the District energy use on [B3 Benchmarking](#). A good indicator of district energy use as SPPS adds square footage and air conditioned spaces, is our energy use intensity (EUI) or energy use per square foot. At SPPS 43% of our square footage is now air conditioned, which is a 12% increase in the last 5 years. **For the 918,000 square feet of air conditioned space that came on line in the last 5 years, our energy use per square foot actually decreased 16% due to focusing on energy efficiency and system modernization!** This is promising results with almost half a million more square feet slated for air conditioning in projects that are currently underway (either in design, bidding, or construction) with additional on deck after that.

SPPS enrolls all large projects in Xcel Energy's Energy Design Assistance program, which is a design service that predicts energy use of the building, suggests energy-saving strategies to incorporate into the design, and estimates energy cost savings and construction rebates available for the project. Post-project site assessments help to verify strategies that were implemented. This service ensures that all new construction is using energy efficient equipment. Renovation and addition projects provide a great opportunity to update not only individual equipment but also entire systems to efficient equipment.

### Renewable Energy in SPPS and the Inflation Reduction Act

The Energy Action Plan outlines goals towards incorporating more renewable energy technologies into SPPS facilities and the Inflation Reduction Act (IRA) will directly impact that effort. The IRA passed August 16th, 2022, is the most significant action Congress has taken on clean energy and climate in US history. The IRA modifies a broad range of tax laws and presents nearly \$370 billion in new and expanded incentives and programs for sustainability-related

investments over the next 10 years. The IRS and Treasury department are responsible for interpreting the complexities of the law and continue to issue [guidance](#) on how to implement it.

SPPS had an active Request for Proposals for PV arrays underway when the IRA was passed, and in order to ensure that the District capitalizes on significant new incentives to underwrite the cost of on-site solar energy generation, the RFP process was paused to wait for guidance from the federal government on the new provision called **direct pay**.

### What is Direct Pay?

Direct pay allows tax-exempt entities to take direct advantage of many of the new clean energy tax incentives included in the law for the first time. For renewable energy projects, the direct pay option applies to the Production Tax Credit (PTC) and the Investment Tax Credit (ITC). The ITC is aimed at the investment and installation expenses, making it a favorable opportunity for future geothermal and solar projects. The IRA expands these credits to assist with financing renewable energy projects and to encourage tax-exempt entities to retain ownership of the projects. Historically, only taxpaying entities were able to take advantage of renewable energy tax incentives, requiring non-profits to enter in complex agreements with a third party to receive any portion of the tax credit benefit. This legislation opens the door for SPPS to access these tax credits with a direct payment in lieu of taxes.

### Renewable Energy Tax Credits Changes

The ITC has been increased to 30% of project cost with new requirements for prevailing wage and apprenticeship. It also provides a supplementary 10% for utilizing domestic content (such as US-manufactured steel). **If SPPS meets all requirements, 40% of project costs for solar and geothermal (including auxiliary geothermal equipment like HVAC) can be realized as a direct payment.** Starting Jan 1, 2025, the ITC name will transition to the technology neutral term, Clean Electricity Investment Credit (section 45Y) lasting until at least 2032, with a gradual phase down determined by US greenhouse gas reduction.

### Federal Guidance on IRA

In March 2023, Assistant Secretary for Tax Policy Lily Batchelder [remarks on implementation of the Inflation Reduction Act](#). Batchelder said the IRS is creating a pre-filing process for organizations that will allow them to access direct pay. No further information on this registration has been released yet. SPPS awaits specifics on what documentation, and paperwork will be required to prove all conditions were met to receive the full 40% direct payment (prevailing wages, apprentices, domestic content etc.) as well as the clarification of the payment dispersal process and timing. The Facilities Department is paying close attention to guidance as it is issued and will act upon it with due speed.