Leaving Money on the Table: Utilities Failing to Leverage the Inflation Reduction Act

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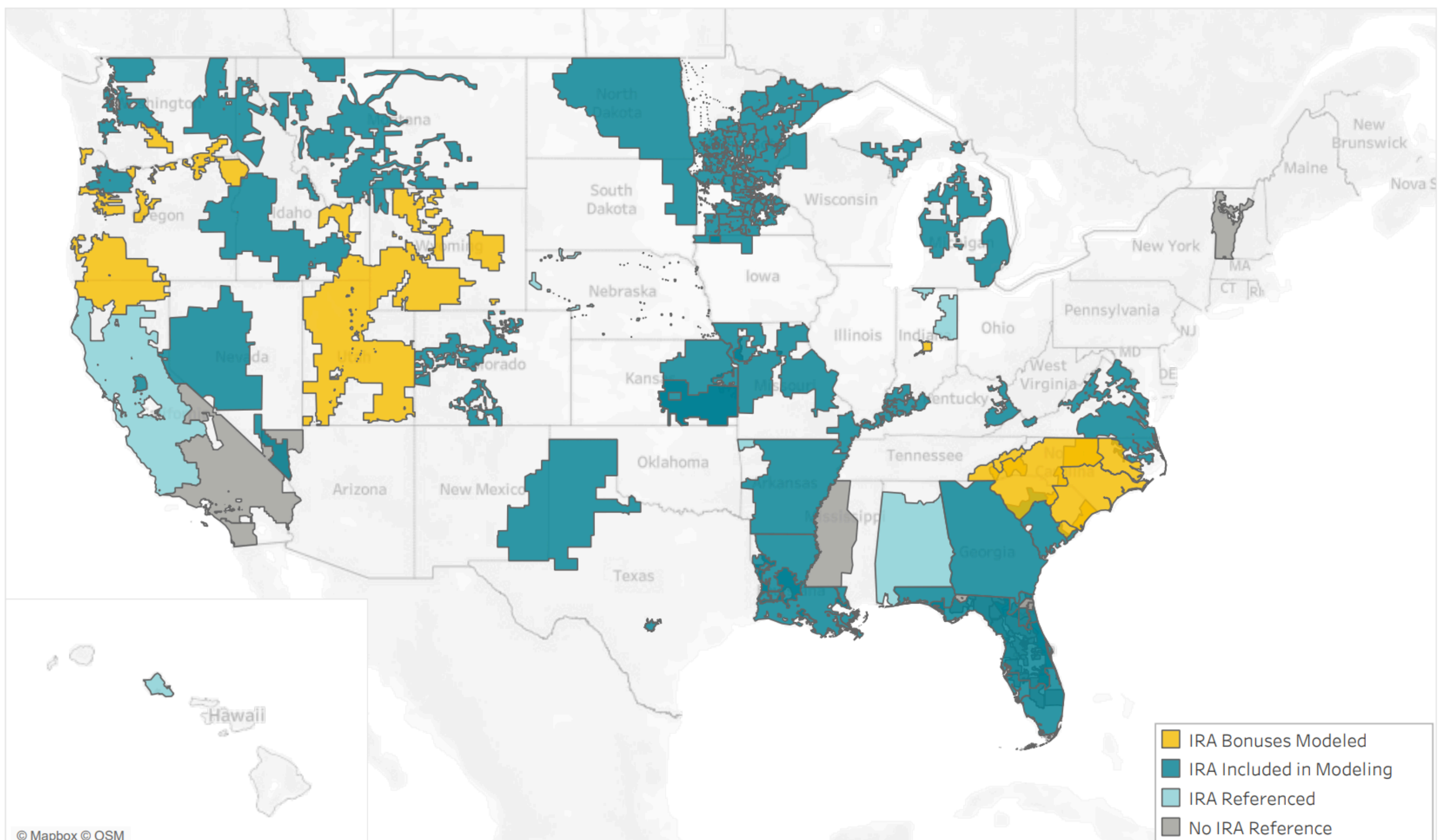
Executive Summary

- Electric utilities are failing to take advantage of the Inflation Reduction Act (IRA), the largest piece of climate investment in United States history.
- 50 utilities have filed planning documents since passage of the IRA in 2022. Of these,
    - 20 percent failed to even reference the IRA in their primary planning documents;
    - 32 percent failed to include the provisions in the IRA in their models;
    - Only 5 utilities (10 percent) modeled the tax credit bonuses available in the legislation;
    - None adequately considered all of the far-reaching implications of the law.
- Even if they weren't due for a regular planning update, the scale of the investment in the IRA means all utilities should update their planning to reflect the new landscape.
- By dragging their feet on incorporating the provisions of the IRA into their planning, utilities are leaving money on the table, which means higher costs for customers.

Map of Evaluated Utilities



Electric utilities are failing to take advantage of billions of dollars in available funding as they plan for the future. The Inflation Reduction Act, signed into law over a year ago, can save ratepayers money, make our grid more reliable, and provide the bulk of the reductions needed to achieve the US' 2030 greenhouse gas reduction commitment under the Paris Agreement.[1] However, these reductions will only materialize in full if utilities take advantage of the provisions in the law, and so far utilities are dropping the ball on incorporating the impacts of the IRA in their planning.

Out of 50 utilities that filed plans since passage of the IRA, 20 percent didn't even reference the IRA in their primary planning documents; 32 percent failed to include the provisions in the law in their models; and none adequately considered all credits and opportunities available to reduce the cost of energy and improve their grid.[2] Most utilities only update their planning every two to three years, meaning that this failure locks customers into more climate pollution and more expensive energy when they could be taking advantage of the improvements to the already favorable economics of clean energy.

Given the significance of the IRA to the industry, every utility should update their planning, whether they were scheduled to file updated plans or not. Utilities ignoring the IRA is like being handed a check for thousands of dollars, but failing to cash it because it's too much trouble to go to the bank.

What is the Inflation Reduction Act?

On Aug. 16, 2022, President Biden signed the IRA into law, allocating roughly $370 billion in incentives to more than 100 programs focused on the deployment of clean energy, electric vehicles, home electrification, and environmental justice. A large portion of these incentives (more than $125 billion) are in the form of tax credits for wind, solar, and energy storage.

Through the IRA, wind, solar, and storage projects are eligible to receive tax credits equivalent to 30 percent of the cost of the project, provided they meet basic wage and apprenticeship requirements. Utilities can receive tax credits equivalent to up to 50 percent of the cost of the project if they build their projects with domestically-sourced materials and in areas that are disproportionately impacted by fossil fuels (known as energy communities). Alternatively, wind and solar projects can opt to receive tax credits based on the amount of energy they generate, up to $32 per Megawatt hour (MWh) produced.[3]

In addition to these incentives, the IRA also makes it easier for utilities to take advantage of tax credits[4] and includes grants and low-cost loans to help transition away from fossil fuels. Combined, all of these incentives are changing the economic tides for clean energy, so how are utilities changing their plans to take advantage of them?

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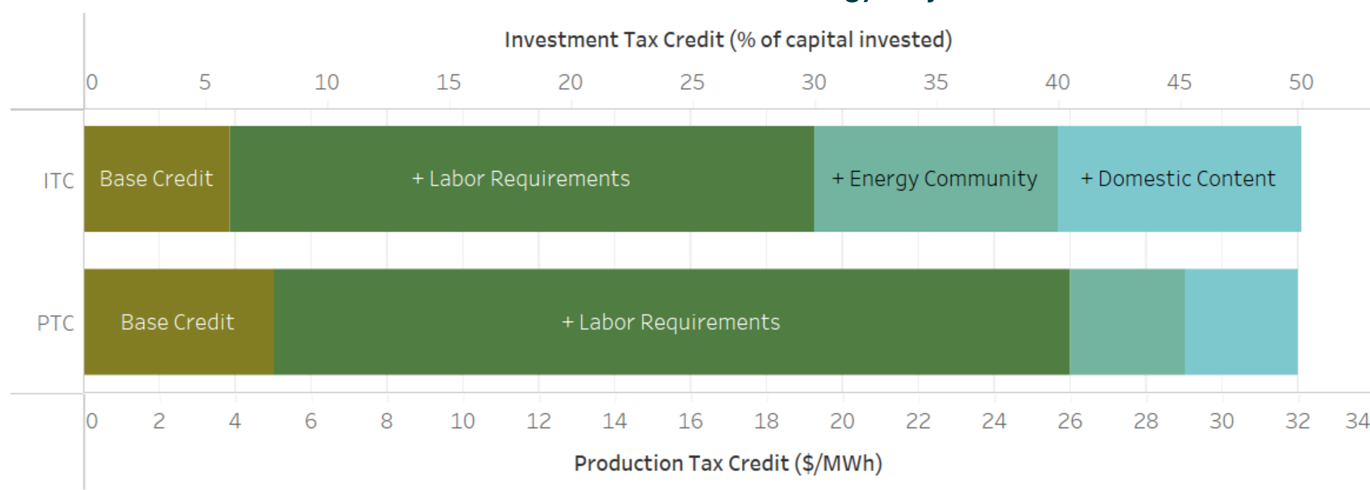
[1] The IRA can help the US achieve up to 42 percent emissions reduction by 2030, from 2005 levels, getting the US most of the way to the 50-52 percent reduction commitment from the Paris agreement.
[2] We evaluated the plans of 50 utilities that filed planning documents or planning updates between the passage of the IRA on August 16, 2022, and October 31, 2023. We excluded some small utilities in California that have limited planning responsibilities in the state's deregulated market.
[3] 1 Megawatt hour (MWh) is equivalent to 1,000 kWh, or roughly the amount of electricity a typical US home consumes in one month.
[4] Among other provisions, the IRA allows entities without a tax burden, such as municipally owned utility companies, to still receive tax credits through direct payments.

Tax Credits Available to Clean Energy Projects[5]



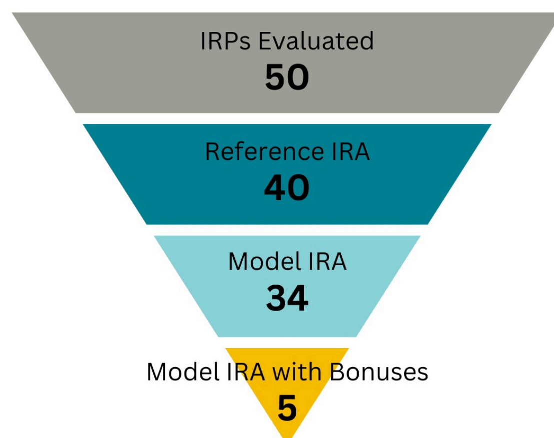
**The Domestic Content and Energy Community bonuses can be claimed individually or in conjunction.*

Utility Companies are Failing to Consider the IRA

Many utilities are bound by law to regularly file plans (typically referred to as Integrated Resource Plans, or IRPs) stating how they intend to meet the needs of their customers over the coming years. Most of those utilities are also required to consider relevant legislation in their planning, and must ensure that their planning results in rates that are "just and reasonable".[6] We evaluated the plans of 50 utilities that filed IRPs since the passage of the IRA in August 2022. Over a year after the IRA was enacted, utilities are still dragging their feet in taking the new opportunities into account. In doing so they are locking themselves into dirty fossil fuels and leaving money on the table, to the detriment of customers.

Of the utilities we evaluated, 20 percent failed to even reference the IRA in their planning and 32 percent failed to include the provisions in the IRA in their models.

Only 5 utilities (10 percent) modeled the bonuses made available in the law, and zero adequately considered all of the far-reaching implications of the IRA.[7]



[5] The Investment Tax Credit (ITC) provides tax credits as a percentage of invested capital and is available to wind, solar, and storage projects. The Production Tax Credit (PTC) provides a flat credit per MWh of energy generated for 10 years from the year the project comes online, and is available for wind and solar.
[6] Federal Power Act of 1920.
[7] While 5 utilities modeled the IRA with bonuses, all five considered only the Energy Community bonus, and none modeled the bonus available for using domestically produced materials.

20 percent of utilities didn't even mention the IRA in their planning

Of the 50 utilities we evaluated, 10 (20 percent) failed to reference the law in their primary planning documents. While many utilities filed planning documents shortly after the passage of the legislation, others, such as Tampa Electric Company (TECO), filed updates to their plans months after the passage of the IRA[8] and as such have no reason why the legislation should not be at the very least *referenced* in those planning documents.

> **TECO**
> Tampa Electric Company is planning nearly 1 GW of solar additions over the next ten years. The IRA can provide hundreds of millions of dollars in savings in the construction of these projects. Instead of modeling those savings and using the money to fund further clean energy development, TECO's plan proposes new gas development and expansions at existing facilities, which would be even less cost competitive if the IRA were considered.

32 percent didn't include the IRA in their planning

Even among utilities that did reference the IRA, not all included the cost savings offered by the law in their modeling. Of the 50 utilities evaluated, 16 (32 percent) failed to model the impacts of the bill. Several of these, including Nebraska Public Power District (NPPD), claimed that they were "still waiting on guidance from the federal government to fully understand" the impact of the IRA (NPPD 2023 IRP, pg 12 and 36). This claim lacks credibility, not only because of the significant guidance already released by the federal government, but also because of the number of utilities that were able to model the impacts of the legislation with the information available–several within just a few weeks of the passage of the legislation.

Recent utility resource plans have continued to focus on maintaining and building coal and gas, despite the fact that clean energy is now cheaper than 99 percent of existing coal and 99 percent of new gas plants. Rather than adequately modeling clean energy, several companies included extended discussions of the ways that provisions in the IRA could prop up their existing, uneconomic fossil operations.

> **Big Rivers**
> Big Rivers Electric Corporation in Kentucky discussed IRA incentives to extend the life of their coal plant and comply with proposed EPA rules by adding carbon capture and storage (CCS). This speculative behavior increases risks for members, opening up the company to potentially high costs when better options are available.

Transition laggards are slow on IRA uptake

Unsurprisingly, several of the utilities that have thus far failed to integrate the IRA are also failing to plan for the clean energy transition. Two thirds of the utility companies that failed to model the IRA are also failing in our recent assessment of utility transition plans (across companies included in both reports).

[8] Tampa Electric Company (TECO) filed their Ten Year Site Plan in April of 2023.

Florida Power and Light

Some utilities are effectively planning for the energy transition and using the IRA to reduce their costs. NextEra subsidiary Florida Power and Light (FPL) scored a B in our analysis of energy transition plans, and has been preparing to use the credits in the legislation since before the law was even signed. Their planning document filed in April of 2022, four months before the IRA was enacted, included preliminary modeling showing that the proposed tax credits would result in "a significant increase in the amount of solar and batteries that would be selected for FPL's resource plan given the economic benefits of the tax credits" (FPL 2022 Ten Year Site Plan, pg 9). After the legislation passed, they quickly updated their models and are making plans to refund millions of dollars to their customers due to the savings resulting from the law.

Utilities fail to consider other cost-saving opportunities

Several other cost-saving opportunities exist, both within the IRA and in other legislation, which have not been appropriately considered by utilities in their resource plans.

In 2021, prior to the passage of the IRA, the Infrastructure Investment and Jobs Act (IIJA, also called the Bipartisan Infrastructure Law, or BIL) passed Congress with bipartisan support. This earlier legislation contained $65 billion in funding for clean energy transmission and infrastructure. Utilities can use this money to build out their electric grid to be more efficient and better utilize clean energy, potentially saving customers billions in the process. Unfortunately, even fewer utilities referenced this legislation in their planning, with only 14 companies (28 percent) referencing both the IRA and the IIJA.

The IRA also created a pool of low-interest, Energy Infrastructure Reinvestment (EIR) loans through the Department of Energy Loan Programs Office (LPO). Utilities can use the loans to improve transmission infrastructure and ease the transition from fossil energy infrastructure, like aging coal and gas plants. These loans reduce the capital costs for utilities to build clean energy and retire existing fossil plants, yet utilities are failing to utilize them. For example, a utility could apply for a low-cost loan to ease the cost of a recent or impending retirement of a coal plant. In Florida, TECO could utilize this type of loan to recover costs associated with the retirement of the Big Bend 3 coal unit. Other coal-heavy utilities like PacifiCorp could save billions of dollars by taking advantage of the program. Companies' failures to plan for an application to the LPO hampers their ability to tap federal incentives to cushion coal retirement costs and thus lower costs for their customers.

Utility Commissions Must Demand More

Many utilities are regulated by an appointed or elected Public Utility or Public Service Commission (PUC or PSC). These commissions are charged with ensuring that captive utility customers pay just and reasonable rates—and in doing so are charged with ensuring that utilities plan and acquire resources in a way that reduces cost and risk for customers. When a utility fails to take into account substantial federal programs and cost savings, the result is bad outcomes and excess costs for customers.

In cases where utilities are failing to model the IRA, utility commissions should reject company plans and order them to revisit their models and update their assumptions. Failure to do so often locks customers into dirty and expensive fossil fuels until the next planning process, often two or three years later. Utilities that conduct inadequate planning endanger their customers, and risk falling behind in the transition to clean energy and burdening their system with stranded, high cost fossil assets.

Minnesota Public Utilities Commission
On September 12, 2023, just a year after the passage of the IRA and after several rounds of comments from utility companies and stakeholders, the Minnesota Public Utility Commission released an order instructing utilities in the state to "maximize the benefits of the Inflation Reduction Act in future resource acquisitions…" (MN PUC, pg 11). The MN PUC sets an example of how utility commissions should be reacting to the new clean energy landscape and ensuring that the utilities they oversee are responding appropriately.

Utility Failings Harm Us All

The failure of utilities to integrate critical legislation in their planning is damaging to impacted communities and the domestic clean energy industry, and serves to further lock us into dirty and costly fossil fuels. By using outdated modeling assumptions for clean energy, utilities are falsely increasing the competitiveness of existing fossil resources and extending their lives and the damage that they do to our communities and environment. Outdated assumptions also lead utilities to make bad decisions around what resources will provide our energy for years to come, despite clear and convincing evidence that we need to transition to clean energy now.

The time for delaying action on climate change is long gone. The failure of utility companies to appropriately consider the economic benefits of the Inflation Reduction Act and other legislation is costing us all money and locking us into a fossil fuel future we can't afford. It's time for utilities to realistically model clean energy and retire their uneconomic and dangerous fossil fuel plants.

APPENDIX: Levels of IRA Integration by Utilities Included in the Analysis

Utility Name	IRA Referenced	IRA Included in Modeling	IRA Bonuses Modeled	IIJA Reference
Entergy Mississippi	❌	❌	❌	❌
Florida Municipal Power Agency	❌	❌	❌	❌
Green Mountain Power	❌	❌	❌	❌
JEA	❌	❌	❌	❌
Orlando Utilities Commission	❌	❌	❌	❌
San Diego Gas & Electric*	❌	❌	❌	❌
Seattle City Light	❌	❌	❌	❌
Seminole Electric Cooperative	❌	❌	❌	❌
Tampa Electric	❌	❌	❌	❌
Southern California Edison*†	❌	⭕	❌	✅
Alabama Power	✅	❌	❌	❌
Indiana Michigan Power	✅	❌	❌	❌
Nebraska Public Power District	✅	❌	❌	❌
Hawaii Electric (HECO)	✅	❌	❌	✅
Liberty-Empire	✅	❌	❌	❌
Pacific Gas & Electric*	✅	❌	❌	❌
Avista Utilities	✅	✅	❌	❌
Big Rivers Electric Corporation	✅	✅	❌	✅
CenterPoint Indiana	✅	✅	❌	❌
City of San Antonio (CPS Energy)	✅	✅	❌	❌
Cleco	✅	✅	❌	❌
Dominion Virginia	✅	✅	❌	✅
DTE	✅	✅	❌	✅
Duke Energy Florida	✅	✅	❌	❌
Entergy Arkansas	✅	✅	❌	❌
Entergy Louisiana	✅	✅	❌	✅
Evergy Kansas Central and Kansas South	✅	✅	❌	❌
Evergy Metro	✅	✅	❌	✅
Evergy Missouri West	✅	✅	❌	✅
Florida Power and Light	✅	✅	❌	❌
Great River Energy	✅	✅	❌	❌
Kentucky Power	✅	✅	❌	❌
Nevada Power Company (NV Energy)	✅	✅	❌	⭕
Northwestern Energy	✅	✅	❌	❌
Otter Tail Power Company	✅	✅	❌	❌
Portland General Electric	✅	✅	❌	✅
Puget Sound Energy	✅	✅	❌	❌
Sacramento Municipal Utility District*	✅	✅	❌	❌
Sierra Pacific Power Company (NV Energy)	✅	✅	❌	⭕
South Carolina Electric & Gas (Dominion SC)	✅	✅	❌	✅
Southwest Public Service (Xcel)	✅	✅	❌	❌
Ameren Missouri	✅	✅	⭕	❌
Idaho Power Company	✅	✅	⭕	✅
Georgia Power Company	✅	✅	⭕	❌
AES Indiana	✅	✅	✅	✅
Duke Energy Progress	✅	✅	✅	✅
Duke Energy Carolinas	✅	✅	✅	✅
PacifiCorp	✅	✅	✅	✅
Santee Cooper	✅	✅	✅	❌
Public Service Company of Colorado (Xcel)	✅	✅	❌	❌

✅ = Yes, ❌ = No, ⭕ = Unclear

* The California Public Utilities Commission updated inputs and assumptions for its Preferred System Plan (PSP) in an October 5, 2023

ruling to include IRA credits and bonuses. The PSP will determine procurement for utilities in California and is expected in the coming months.
† Southern California Edison may have included extended tax credits for wind and solar, but the extent and origin of these incentives is unclear in their planning.

AUTHORS & ACKNOWLEDGEMENTS

Authors

Noah Ver Beek, noah.verbeek@sierraclub.org

Sierra Club Contacts

Noah Ver Beek, noah.verbeek@sierraclub.org, and Jessica King, jessica.king@sierraclub.org

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Sierra Club National
2101 Webster St, Suite 1300
Oakland, CA 94612
(415) 977-5500

Sierra Club Legislative
50 F St NW, Eighth Floor
Washington, DC 20001
(202) 547-1141

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