Sonoma Clean Power

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U.S. Department of the Treasury
Internal Revenue Service
Office of Chief Counsel, Passthroughs and Special Industries
1111 Constitutional Avenue NW
Washington, DC 20224

Subject: Comments on Elective Payment of Applicable Credits and Transfer of Certain Credits (Notice 2022-50)

Responding Entity: Sonoma Clean Power Authority

Respondent Contact: Ryan Tracey, Director of Planning and Analytics, 720-480-9641, rtracey@sonomacleanpower.org

Sonoma Clean Power (SCP) is a public power provider serving customers in Sonoma and Mendocino Counties in California. SCP serves over 230,000 customers with clean and reliable power through long-term contracts for solar, wind, and geothermal power. As a non-profit entity with an aggressive plan for the development of new renewable resources, SCP is very enthusiastic about the potential for the Inflation Reduction Act (IRA) to accelerate the deployment of new technologies and maintain energy affordability through tax credits (and importantly, the provision for public entities like SCP to monetize tax incentives traditionally reserved for private industry).

SCP is particularly interested in the applicability of IRA incentives to new geothermal development. SCP is currently negotiating cooperation agreements with three geothermal companies to pursue a joint initiative, the Geothermal Opportunity Zone (“GeoZone”), to develop 500 MW of new geothermal resources in its territory. Financial incentives from the IRA will be critical in enabling SCP and its partners to scale-up new technologies that address a key challenge in reaching high levels of decarbonization: proven renewable technologies such as solar and storage generate at far reduced capacities in the winter when demand is expected to increase as the penetration of transportation and building electrification grows.

SCP is submitting responses to three of the notices seeking public input on the IRA: Energy Generation Incentives (2022-49), Credit Monetization (2022-50), and Credit Enhancements (2022-51). Below are SCP’s responses to the Credit Monetization (2022-50) notice:

.01 <u>Elective Payment of Applicable Credits (§ 6417)</u>

(1) What, if any, guidance is needed to clarify the meaning of certain terms in § 6417, such as applicable credit and excessive payment? Is there any term not defined in § 6417 that should be defined in future guidance? If so, what is the term and how should it be defined?

> *SCP would like clarification from the IRS that Community Choice Aggregations (CCAs) are eligible for electing direct payment of applicable credits. CCAs are organized as Joint Powers Authorities of local governments and should fall under the "political subdivision" criteria for eligibility.*

(4d) Are there specific issues that the Treasury Department and the IRS should address for applicable entities that are subject to non-tax legal requirements or other rules that may affect such entities' ability to make an election under § 6417(a)?

> *Given that eligible applicants will not be filing tax returns, the Treasury Department should lay out clear expectations for the process for applying for credits and the timing and form of payment. Sufficient detail should be provided to build confidence that tax credits can be considered as a form of security for financing prospective projects.*