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THE RIPPLE EFFECT

Stories of purpose and lasting impact

Harnessing economic power and fueling a cleaner-energy future

The Oceti Sakowin Power Authority explores how IRA tax credits and incentives could electrify its plan for renewable energy resources.

THE PURPOSE WAS CLEAR. A PATH TOWARD REALIZING IT WASN'T.

THE SITUATION

Seven Sioux Tribes shared a vision for renewable energy. That vision was driven by potential wind energy that could be harnessed from Tribal lands and generate emission-free electricity for their communities. It focused on delivering economic empowerment. And it crystallized into the Oceti Sakowin (pronounced O-CHET-ee Sha-KO-wee) Power Project, a multi-tribal power authority.

In 2015, the Cheyenne River Sioux Tribe, Crow Creek Sioux Tribe, Flandreau Santee Sioux Tribe, Oglala Sioux Tribe, Rosebud Sioux Tribe, Standing Rock Sioux Tribe, and Yankton Sioux Tribe established the Oceti Sakowin Power Authority (OSPA). Together, the Sioux Member Tribes refined their vision to develop and own Tribal renewable energy resources by financing, developing, constructing, and operating power generation and transmission facilities for the wholesale market. Over time, the OSPA identified a clear path to placing up to 2 gigawatts of emission-free electricity into service in South Dakota with a structure that could support the core values of the Sioux Member Tribes. This meant preserving the land on which the equipment would operate, maintaining ownership and decision-making over the project, and hiring construction and operations roles directly from the Tribal community.

The Inflation Reduction Act of 2022 (IRA) included two new credit delivery mechanisms—elective pay, or “direct pay,” and transferability—that could enable certain organizations, including Tribal entities, to take advantage of clean energy tax credits. For the OSPA, the opportunity was clear. The OSPA wanted greater clarity around the intricate regulatory landscape, particularly concerning investment and production tax credits (ITC and PTC) within the IRA framework. This could translate into capital that the OSPA could use to further its goals. How might they access it?



THE SOLVE

What began as a pro bono engagement soon became a passion project for Deloitte's Tax and Advisory professionals, who were inspired by the opportunity to effect meaningful change and support a transformative project in renewable energy development. Given its intricacy, they knew close collaboration with the OSPA and innovative problem-solving would be essential to the project's success.

Deloitte facilitated exploratory visioning sessions, where OSPA stakeholders could begin to navigate the IRA and its complex regulatory requirements. From there, Deloitte Tax's structuring professionals and OSPA leaders analyzed the ambiguities of the guidance enabling Tribal entities to benefit from these new tax credits. Deloitte's Government Grants, Credits & Incentives and Washington National Tax professionals provided insights that could clarify potential paths for enhancing tax credit utilization and capital.

Then, with a broad approach encompassing regulatory, financial, and operational dimensions, the Deloitte Tax team advised on several potential options so that the OSPA could assess the tax implications of each. One of the identified potential structures was an inverted lease structure, which was later determined in light of evolving guidance

would undermine the OSPA's ability to elect direct payment, necessitating a change in strategy. Adapting to these evolving circumstances and guidance from the Internal Revenue Service (IRS), the team shifted its focus toward a wholly owned structure. With this approach, the OSPA could analyze economically beneficial options and maintain ownership, creating a favorable path toward securing the required leverage from the Department of Energy (DOE).

Working collaboratively, Deloitte Advisory and Tax professionals developed and built financial models. These were created as a resource for analyzing a project structure and designed for the OSPA to continue using on a day-to-day basis moving forward. "It's not as if we provide advice and then leave," said Nick Richards, the Advisory modeling team lead and senior manager, Deloitte Transactions and Business Analytics LLP. "Deloitte is working with the OSPA to advise them as they expand their internal capabilities."

Deloitte continues to work closely with the OSPA by providing tax advice as well as financial modeling to facilitate the analysis of potential structures or enhance the current structure as guidance from the IRS continues to develop and market conditions change.

A SPOTLIGHT ON **CLEAN ENERGY TAX CREDITS**
ILLUMINATED A PATH FORWARD.

THE IMPACT

Leveraging the new “direct pay” tax credits enables the OSPA to maintain Tribal ownership of what’s intended to be among the largest wind power developments in the country.¹ With Deloitte’s services, the OSPA has enhanced the project’s financial viability and sustainability, realizing meaningful amounts of capital that weren’t available before. It is building capacity and furthering the founders’ vision for self-sufficiency and resilience for future Tribal leaders and community members.

The close collaboration between Deloitte and the OSPA resulted in tax credit benefits while adhering to regulatory compliance and project sustainability. This includes enhancing ITC or PTC utilization, reducing project financing costs, obtaining government grants, and enhancing long-term profitability.

And the work continues.

In the latest development of the engagement, Deloitte’s Consulting and Tax professionals assisted OSPA in the preparation and submission of a grant application, which aims to secure the essential funding to enhance the local infrastructure and transmission required for the project. “The timely development of the Tribes’ utility-scale wind and solar resources hinges upon a significant investment in new transmission, and it is beyond the reach of individual Tribes,” said Lyle Jack, OSPA Chairman of the Board. “Renewable energy development is an effective option for us to strengthen and diversify our Tribal economies and create jobs, and to do our part in combatting climate change.”



AN ENERGY TRANSFORMATION THAT’S POWERED BY
PEOPLE WITH PURPOSE

¹ Oceti Sakowin Power Authority, “[The Oceti Sakowin Power Project](#),” accessed August 2024.

LET'S CONNECT.

Do these challenges sound familiar?



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