

HHS Office of Climate Change and Health Equity Inflation Reduction Act (IRA) Case Study

Organization name: Valley Children's Healthcare

Organization tax status: Tax-exempt not-for-profit

Facility name: Valley Children's Hospital

Facility location: Madera, CA

Brief description of facility: Valley Children's is a pediatric healthcare system serving more than 1.3 million children in Central California. 75% of patients are Medicaid-insured and 77% belong to Hispanic, Black, Asian, and other racial and ethnic minority groups. It operates a stand-alone 358-bed children's hospital, including 28 regional NICU beds at partner hospitals, specialty care centers, pediatric primary care practices and women's health services. The network includes more than 670 physicians and 3,500 staff members.



The Project

Brief description of project partially financed by the IRA:

Valley Children's is installing the largest pediatric healthcare-based renewable energy microgrid in the country, set to begin operation in 2025. The \$30 million microgrid, comprised of a 1.32 MW solar PV, a 2.2 MW fuel cell, and a 1.4 MWh battery, will ensure the hospital and its campus remain operational during regional power outages.

IRA funding mechanism(s):

Investment Tax Credit for Energy Property with Domestic Content Bonus Credit and Category 1 Low-Income Communities Bonus Credit.

Projected benefits of the project:

This project will reduce Valley Children's reliance on the traditional power grid, mitigate power interruptions, and cut carbon emissions. Currently, the hospital depends on an aging substation transformer and emergency diesel generators. The new microgrid will power both normal operations and emergency services with sustainable energy sources, meeting 80% of the hospital's peak time energy needs.

The IRA significantly changed the feasibility of this project, enabling Valley Children's to potentially benefit from up to \$13 million in tax credit direct payments, which will cover about 40% of the initial capital outlay.

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Over 25 years, the energy cost savings will cover the remaining upfront investment in this project. In addition, mitigating the risk of costly power disruption and resilience to ensure no disruption in patient care at all times further strengthens the project's return on investment.

The project also is projected to cut carbon emissions by more than 50% (~7,970 mtCO₂) from Valley Children's 2021 baseline and has received a positive response to the hospital's commitment to sustainability and resilience from both the community and staff.

Advice and Guidance

What influenced your organization's decision to pursue this project?

Aging energy infrastructure and public safety power shutdowns due to wildfires created vulnerabilities for the hospital. The renewable energy microgrid will reduce reliance on the traditional power grid, save money on energy costs, and ensure operational continuity during regional power outages. It also aligns with Valley Children's sustainability goals by cutting carbon emissions by more than 50%.

How did the IRA affect your decision-making about this project?

The direct pay and Investment Tax Credit provisions of the IRA made significant energy savings available to not-for-profits like Valley Children's for the first time. The IRA presented a cost-effective solution to reduce energy system vulnerabilities while improving energy efficiencies.

Looking back, is there anything you wish you had known when you were starting to consider this project?

Begin internal conversations early and engage key organizational leaders such as the CFO, CEO, and Board members. Strategic planning for this project took approximately 1.5–2 years, so involving key stakeholders early helps maintain momentum.

What advice would you give someone pitching a similar project to their leadership or board?

Consider multiple dimensions of this work – focus on long-term financial savings and operational benefits. Detailed analysis of these aspects creates a compelling argument for leadership support.

You can contact Valley Children's Hospital by emailing contactus@valleychildrens.org.

For more information on the Investment Tax Credit and other IRA opportunities, please visit the [Quickfinder for Leveraging the Inflation Reduction Act for the Health Sector](#).

