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Proposed Storage Investment Tax Credits Should Recognize the Critical Role Electric Utilities Play in Energy Storage Development

Storage Investment Largely from Electric Utilities

Battery energy storage technology has the critical and unique ability to store and dispatch energy produced by renewable resources like solar and wind, which fluctuate in production based on changes in weather. It also has potential to help regulate the grid and local distribution systems.

As the power grid operators, electric utilities are poised to maximize the benefits these unique systems provide, and are already leading the charge. Electric utilities comprise approximately 70 percent of the investment in energy storage technology in the United States.¹

While electric utilities are a major driving force of storage development and deployment, the current proposed storage investment tax credit (ITC) legislation would have the effect of disadvantaging new utility investment, subverting the intent in establishing the new credit.

Regulated electric utilities are obligated to divide and spread, or “normalize,” a federal investment tax credit (ITC) benefit to customers over the entire life of an asset, which is typically a few decades. In the case of the proposed 30% ITC for energy storage, regulated utilities should be permitted to account for the credit in the same manner as unregulated energy developers do: by allowing their customers to realize the benefit of the tax credit as soon as they can, usually within the first five years of the investment.

For distributed assets like energy storage, the option to flow through the tax benefits – and lower the early cost of energy storage for current customers – is necessary to stimulate investment in energy storage assets by regulated utilities in the near term, helping to bring additional scale to manufacturing processes and bringing down the long-term costs of storage projects.

Critical Part of Carbon Reduction Plans

Energy storage is playing an increasingly important role in advancing the country’s efforts to produce more of our energy from carbon-free generation. It is an important technology that will further the good progress already made by the electric utility industry on reducing carbon emissions.

The undersigned electric utilities are committed to transitioning their generation fleets to reduce our carbon emissions, while also recognizing the importance of achieving that in the most cost-effective way for customers. Duke Energy has announced plans to reduce carbon emissions by at least 50% by 2030 – and reach net-zero by 2050; Berkshire Hathaway Energy has the largest owned and contracted renewable generation portfolio of any U.S. regulated utility, and has announced multi-billion dollar investments in new renewable projects; Xcel Energy’s goal is to achieve 100% carbon-free electricity by 2050; Portland General Electric’s goal is to reduce greenhouse gas emissions by more than 80 percent by 2050. Each has also initiated energy

¹ Edison Electric Institute, “Issues & Policy: Energy Storage,” <https://www.eei.org/issuesandpolicy/Pages/EnergyStorage.aspx>



storage projects, consistent with achieving those aims. Our companies also represent leaders in the industry in energy storage.

Immediate Benefit to Customers

If Congress provides new federal tax incentives for energy storage, they should be structured carefully to ensure they can be of value to all energy consumers. Utilities can often optimize storage deployment from a grid operations perspective and at the same time make sure that the benefit of those investments is shared equitably among customers. Congress should not impede utility investments in this area by requiring the energy storage tax credit to be normalized.

We request that the House and Senate bills be updated to allow utility leaders in energy storage deployment to opt out of tax credit normalization rules for an investment tax credit for energy storage technologies. By making this change, Congress will remove a barrier to energy storage investment and accelerate the deployment of clean, critical infrastructure.

Absent this language, utilities around the country will face unnecessary challenges in deploying grid-scale energy storage.