

# Normalization, Clean Energy Deployment & Storage Growth

Allowing investor-owned utilities to selectively opt-out of normalization would give them a significant tax-based competitive advantage which would undermine efforts to advance clean energy and raise costs for consumers

## What is Normalization and Why Does it Matter?

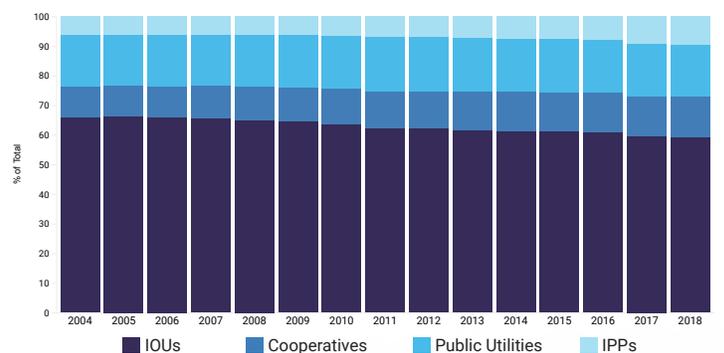
Normalization is a 50-year old tax preferential policy backed by investor-owned utilities (IOUs) that allows them to receive federal tax preferences immediately but slowly return these tax benefits to their customers over the lifetime of the asset. This is a significant benefit.

Allowing IOUs to maintain this and other unique policies for the majority of their assets, but “opt-out” of normalization only for technologies in the renewable energy space, would trigger an anti-competitive shift in these industries. IOUs are monopolies and monopsonies in many markets. They enjoy overwhelming market power. If the normalization guardrail is selectively removed, many IOUs will seek to drive competition out of their service territories to the maximum extent possible. The result will be increased monopolization and reduced competition and will ultimately lead to higher prices for consumers.

## The Facts

- Normalization is a preferential policy that is strongly supported by investor-owned utilities. However, some are now seeking to both keep this lucrative policy in place but be able to choose to not utilize it in an area where they face competition from independent companies building renewable energy generation.
- The ability to opt out of normalization would create another tax advantage and lead to further monopolization in the industry.
- Due to their monopolistic status, IOUs normally have a lower cost of capital to finance clean energy projects. This cost of capital advantage is compounded by other unique tax benefits, including 100% interest deductibility, a policy IOUs attained in the 2017 Tax Cuts and Jobs Act.
- IOUs in many markets are virtually guaranteed profits and are assured of customer retention, regardless of service quality and price competitiveness. Other clean energy companies have no such advantages.
- Changing the normalization policy is not necessary. Investor-owned utilities are already beginning to invest heavily in renewable energy and achieve significant benefits from doing so. There is no need to provide them a decisive advantage over other companies.
- Other options exist already. The IRS has already provided numerous options for IOUs to avoid normalization – including by seeking permission from their local public utility commission. And many IOUs have formed subsidiaries or parent companies that compete in the open market and they are among the most successful in the world.

U.S. Electricity Retail Sales by Ownership of Provider



Source: Energy Information Administration

## Do Not Allow Investor-Owned Utilities to Opt-Out of Normalization for Clean Energy Tax Credits

The best way to rapidly deploy renewables is to support a diverse market with many diverse companies involved. Ultimately, this ensures consumers will get the best price for their clean power.