5 actions to position utilities for success under the One Big Beautiful Bill Act

Executive summary

On July 4, 2025, President Donald Trump signed the One Big Beautiful Bill Act (OBBBA) into law, codifying significant changes to federal energy policy that will affect electric and gas utilities. The OBBBA realigns federal energy policy to emphasize fiscal discipline, grid reliability, and targeted investment, while streamlining incentives to better align with national energy priorities.

These changes will reshape the financial landscape for utilities—altering how generation is funded, how costs are passed to consumers, and how customer programs can be offered affordably.

Key OBBBA provisions relevant to utilities

1. **Shortened clean energy tax credit timelines:** The OBBBA accelerates the phase-out of the investment tax credit (ITC) and the production tax credit (PTC) for utility-scale solar and wind from the prior timeline established by the Inflation Reduction Act of 2022 (IRA). Timelines for energy storage, geothermal, and nuclear also phase out sooner than stipulated by the IRA but remain in place longer than the solar and wind credits.

2. **New foreign entity restrictions:** All forms of generation covered under the clean electricity ITC (48E) and PTC (45Y)—as well as the advanced manufacturing PTC (45X), nuclear power PTC (45U), carbon capture and sequestration credit (45Q), and clean fuel PTC (45Z)—now include foreign entity of concern (FEOC) restrictions that limit specified foreign and foreign-influenced entities. The generation ITC and PTC and manufacturing PTC also include restrictions on the supply of materials from or project participation by prohibited foreign entities. These restrictions could cause issues for projects that rely on China, or other at-risk countries, in their supply chains.

3. **Elimination of customer energy efficiency credits:** Tax credits for residential energy efficiency and distributed energy resources (DER) will end on different timelines, many as soon as 2025. The commercial energy efficiency deduction is also eliminated.

4. **End of EV-related incentives:** All tax credits for individual and commercial EV purchases, as well as for new EV charging infrastructure, are eliminated.

5. **Rescission of unspent funding:** Most unobligated funding for grants, loans, and technical assistance from the IRA—along with some of the funding from the Infrastructure Investment and Jobs Act (IIJA) and CHIPS Act—will not be issued. Funding from the Home Efficiency Rebates (HOMES) and Home Electrification and Appliance Rebate (HEAR) rebate programs remains intact.

To help utilities navigate these shifts in the energy landscape, this paper identifies five proactive actions utilities can take now to mitigate risks and position themselves for success. While no two utilities are the same, there are some likely differences in the OBBBA's impacts for electric utilities and their customers versus the impacts for gas utilities and their customers. The paper outlines a likely scenario for both sectors.

Five actions utilities can take now

1. Revisit and optimize existing plans and models

Before considering any strategic changes spurred by the OBBBA, every utility should start by revisiting their key plans—everything from integrated resource plans to clean energy plans to distribution plans—to understand how changes to various programs and incentives will impact the cost of resources and expected load growth. Once that is understood within its specific context, a utility can analyze how shifting the resource mix given the new landscape would impact costs, emissions, and other factors.

2. Secure supply and modernize the grid

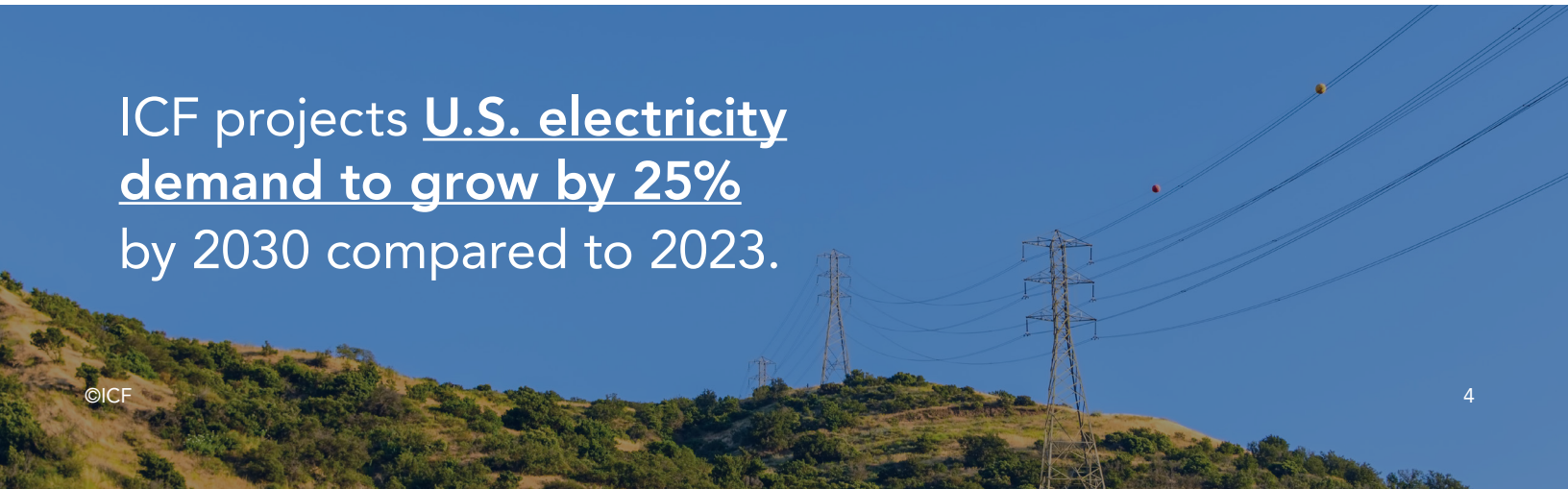
Utilities should revisit their generation and procurement strategies to ensure they can secure firm supply amid growing demand from data centers, electrification, and industrial growth. Policy changes are adding complexity, with the recent IRS Notice 2025-42 introducing significant changes to the "beginning of construction" requirements, creating challenges for utility-scale renewable projects aimed at meeting growing demand. However, utilities are uniquely situated to help projects meet the IRS guidance by accelerating their development and procurement activities.

The strategies to do this will look different depending on market structure. In states with regulated power markets, this may include upgrading existing assets, investing in new greenfield and brownfield generation, adding battery storage to existing sites, and securing long-term contracts for generation and storage resources. In states with deregulated power markets, utilities should engage with policymakers to advocate for mechanisms that allow long-term hedging and reliability-based procurement and work with market operators to enable reforms to improve price stability.

Beyond market-specific approaches, utilities can also strengthen supply security by pursuing long-term power purchase agreements for renewables while prices remain competitive. Utilities should also consider diversifying their energy supply portfolios to hedge against fossil fuel price volatility, which the OBBBA is expected to exacerbate.

Securing supply also depends on strengthening the grid itself through investing in future-proof electric grid modernizations that are needed regardless of the energy mix. In the near term, investments that expand grid connection could enable more projects to meet the "beginning of construction" deadline and avoid interconnection delays that risk compliance with continuous construction progress requirements. Utilities can invest in grid-enhancing technologies that improve reliability, reduce outage costs, and expand interconnection capabilities. These investments and supportive standards changes would position utilities to take advantage of storage-to-grid, price arbitrage, and other opportunities.

Finally, utilities can strengthen gas-electric joint planning to ensure reliability amid rising demand and constrained infrastructure. The OBBBA is expected to drive greater reliance on natural gas to meet growing demand, especially from data centers and industrial loads—and intensifying the need for coordinated planning between electric utilities and natural gas providers. Utilities should proactively engage with pipeline operators, state energy offices, and reliability coordinators to assess infrastructure adequacy, align planning timelines, and develop shared contingency strategies. Joint planning can help mitigate risks from constrained gas transportation capacity and ensure firm fuel supply for critical generation assets.



3. Engage with policymakers and regulators to shape solutions

The OBBBA is expected to drive up consumer energy costs—both through direct impacts on project economics and funding eligibility, and indirectly by influencing fuel commodity markets—making it essential for utilities to explore strategies that mitigate these effects. Utilities should open conversations with state regulators and policymakers to assess how the OBBBA could impact state clean energy plans and utility rates. Some utilities will need to work with regulators and policymakers to ensure affordability, reliability, and resilience, while still meeting state policy goals.

Collaboration should also focus on engaging policymakers to support utility access to long-term generation and capacity contracts. Utilities should open conversations with state regulators and legislators to develop frameworks that allow utilities to secure firm supply through long-term agreements or asset ownership. These discussions can help align reliability needs with affordability and emissions goals and may lead to new pilot programs or policy tools that prioritize critical resources in interconnection queues.

Finally, utilities can work with regulators to consider innovative rate designs and tariff reforms that help manage expected OBBBA impacts, such as implementing time-of-use rates or dynamic pricing to encourage off-peak usage and reduce system strain.

4. Share tailored strategies with large load customers

Manufacturers expect the net impact of the OBBBA to encourage new industrial facilities. As such, utilities should engage large load customers to understand their needs and assess rate impacts. Utilities should consider pursuing contracts and mechanisms with large load customers that protect small commercial and residential consumers from associated risks.

At the same time, the surge in AI is leading to data center development and driving significant new load growth. Developing robust flexible load programs can help utilities increase reliability. Utilities should work with large customers like data centers to create programs that go beyond traditional interruptible rates, which temporarily reduce power during peak demand. This includes long-term contracts with enforceable curtailment obligations, performance-based incentives, and automation requirements. These programs should be structured to ensure flexible load can provide the same level of dependable capacity as building new physical infrastructure, while avoiding past pitfalls where interruptible customers failed to respond during emergencies.

5. Strengthen customer programs and community partnerships

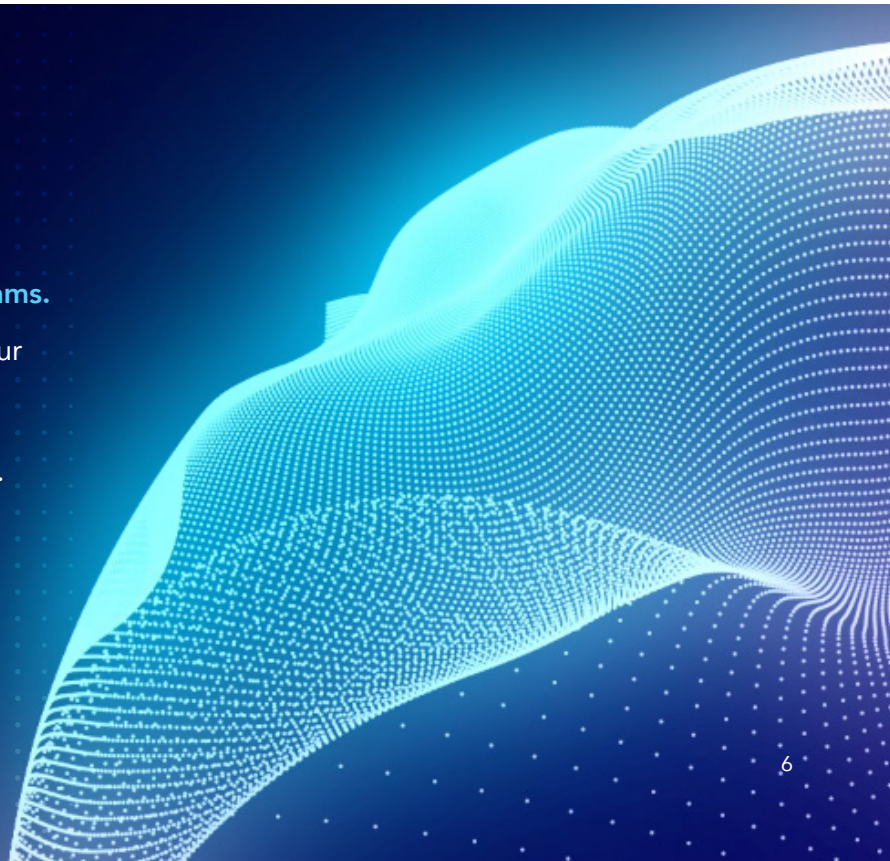
Utilities should educate customers about changes that will impact them. While the loss of tax credits for rooftop solar, energy efficiency projects, and EV purchases might not be a utility's doing, customers could still blame their utility for failing to inform them about such important energy-related news. By proactively sharing federal updates and explaining how the utility is supporting customers through these changes, utilities can build trust and goodwill. Providing tools and dashboards that help customers monitor and manage their energy use is one effective way to achieve this goal.

It's also important to talk to trade allies about what is happening, how the OBBBA could impact them, and what they can do. Many utilities have helped trade allies prepare to install technologies such as heat pumps, but changes to electrification and efficiency incentives will have impacts that trade allies need support to understand.

For utilities that operate energy efficiency programs to meet state requirements, evaluating the effect of federal incentive changes on their demand-side management portfolios is critical. Communicating these expected impacts to regulators promptly and adjusting programs as needed helps maintain alignment and transparency.

Utilities can also leverage existing state and local incentives by partnering with state energy offices to fill gaps left by federal rollbacks. Additional opportunities may also exist through green banks or local financing tools to support clean energy and efficiency investments.

Enhancing demand-side management programs remains a priority, particularly by doubling down on energy efficiency and demand response. Even with federal cuts, utilities can use ratepayer-funded programs to promote weatherization of a quickly aging U.S. housing stock, encourage adoption of new HVAC technologies, and incorporate more advanced load management orchestration. Low-income households should continue to be a priority. In addition to being key to the affordability conversation, these buildings often have the most potential for energy conservation.



Different pictures for gas and electric utilities

While each utility will need to conduct its own assessment, the OBBBA is likely to create common impacts felt across the industry. Given the bill's differing approach to fossil fuel-based energy and renewable energy, those impacts will likely create different scenarios for electric utilities compared to gas utilities.

Electric utility scenario:

Reduced tax credits and subsidies for solar, wind, and residential battery storage projects—as well as FEOC restrictions—will lead to higher clean energy project costs. Project delays or cancellations for projects no longer qualified for the credits will leave energy markets tighter and more constrained, also leading to higher energy costs. The loss of DER and some energy efficiency incentives for homeowners and businesses will make it more challenging for many to afford rooftop solar, battery storage, and energy management technologies. With tighter energy markets and the increased cost of clean energy, household electricity costs will rise more than previously projected.

Though building and transportation electrification may slow, large loads will remain the largest driver of electric grid investments. The delicate balance between increased data center loads and peak generation will need to be studied with more granularity than ever before.

Electric utilities will continue to leverage customer programs to address affordability, offset demand growth, and maintain reliability. Reduction of federal incentives associated with energy efficiency and DERs will disrupt customer adoption rates, forcing utilities and regulators to revisit budgets, marketing tactics, and the likelihood of achieving pre-established targets.

Gas utility scenario:

In addition to the already significant growth in natural gas demand—driven in part by rising data center activity—OBBBA will further accelerate demand through industrial expansion, slower electrification, and increased reliance on gas-fired turbines in the power sector. This rising demand will strain existing pipeline infrastructure, which faces limits on expansion opportunities.

In turn, local distribution companies (LDCs) will face mounting challenges in securing firm transportation capacity. These constraints are expected to drive up the cost of such contracts. Higher gas demand on the LDC system will also result in the need for more investment in their distribution systems for many LDCs., further complicating efforts to ensure affordable supply.

Despite programs incentivizing greater U.S. production of fossil fuels, gas commodity prices will rise as energy demand growth outpaces supply growth and new transportation infrastructure investments are made. The combined impact of higher natural gas commodity costs, gas transportation system expansion needs, and the cost of LDC infrastructure investments will translate into higher rates for gas utility customers.

Gas utilities should consider a range of strategies to maintain affordability as cost pressures due to OBBBA and other market drivers mount. Implementing energy efficiency and demand response programs can help reduce consumption, manage peak loads, and defer costly infrastructure investments. Optimizing gas storage allows for better management of seasonal and peak demand, reducing reliance on high-cost supply. Alternative rate designs can align utility incentives with customer affordability goals, while cost allocation adjustments ensure a fair distribution of expenses across customer classes. Additionally, diversifying supply portfolios and contracting strategies can help mitigate price volatility and challenges in securing firm transportation capacity.

Conclusion

While the OBBBA introduces significant changes, it does not alter the fundamental role utilities play in delivering affordable and reliable energy. Given an already complex mix of rising electricity demand, customer pressures, and state policy goals, utilities face significant urgency to understand OBBBA impacts quickly, communicate those impacts to stakeholders, and pivot plans as needed.

ICF specializes in modeling policy impacts on utilities, such as those implemented in the OBBBA, and implementing changes needed to meet their goals. We help utilities navigate policy changes with data-driven analysis, tailored to their specific context, so that they can optimize plans across the organization and implement their strategies effectively.

About the authors

Justin Mackovyak

Vice President,
Strategic Enablement

Justin.Mackovyak@icf.com

Justin is an expert in project and program management, including strategic planning, customer acquisition, finance, quality assurance, and technical training. Using his background in residential construction, building science, and energy management, Justin has worked with numerous private sector clients on several award-winning projects.

Maria Scheller

Vice President,
Energy Markets

Maria.Scheller@icf.com

Maria is an expert in long-term planning and forward market modeling. She is experienced in assessing long-term market risks and developing strategies around reducing risks and maintaining operational standards.

Erica Larson

Director, Regulatory Affairs
and Market Development

Erica.Larson@icf.com

Erica brings deep expertise in analyzing regulatory and legislative developments across the United States, focusing on energy efficiency, demand response, flexible load management, electrification, and gas decarbonization policy.

For more information, please contact:

Justin Mackovyak

Vice President, Strategic Enablement
Justin.Mackovyak@icf.com

Maria Scheller

Vice President, Energy Markets
Maria.Scheller@icf.com

Erica Larson

Director, Regulatory Affairs and Market Development
Erica.Larson@icf.com

icf.com

x.com/ICF
linkedin.com/company/icf-international
facebook.com/ThisIsICF
#thisisicf

About ICF

ICF (NASDAQ:ICFI) is a leading global solutions and technology provider with approximately 9,000 employees, but we are not your typical consultants. At ICF, business analysts and policy specialists work together with digital strategists, data scientists, and creatives. We combine unmatched industry expertise with advanced engagement capabilities to help organizations solve their most complex challenges. Since 1969, public and private sector clients have worked with ICF to navigate change and shape the future.