



September 20, 2023

Mr. John Podesta
Senior Advisor to the President for Clean Energy Innovation and Implementation
The White House
1600 Pennsylvania Avenue NW
Washington, DC 20500

Dear Mr. Podesta:

Thank you for your leadership and efforts to improve our nation's infrastructure, advance electrification, and support a strong domestic manufacturing base. On behalf of a broad coalition representing critical stakeholders in the distribution transformer supply chain, we are seeking a meeting with you to discuss an issue that impacts national security and grid reliability. Our industries and Congressional leaders have been strongly urging the Department of Energy (DOE) to reconsider its December 28, 2022, proposal to increase energy conservation standards for distribution transformers (see Proposed Rulemaking: *Energy Conservation Program: Energy Conservation Standards for Distribution Transformers*).

Our coalition, comprised of the American Public Power Association (APPA), Edison Electric Institute (EEI), National Electrical Manufacturers Association (NEMA), National Rural Electric Cooperative Association (NRECA), and National Association of Homebuilders (NAHB), is an assemblage of organizations whose members are at the forefront of the clean energy transition. Utilities and energy service providers, represented by APPA, EEI, and NRECA, provide electricity to all Americans. NAHB represents homebuilders constructing affordable and energy-efficient communities. Critical grid component manufacturers, represented by NEMA, including distribution transformers, produce the equipment needed to ensure its safe and reliable delivery.

Since 2021, our organizations have been communicating with DOE regarding the severe and ongoing supply chain challenges that have prolonged and complicated distribution transformer production and availability. The inability to quickly manufacture and deliver these critical components threatens the ability of the electric sector to service current and planned housing markets, swiftly recover and restore service following natural disasters, and deliver the benefits of economy-wide electrification.

The Administration has recognized the severity of this crisis by issuing the June 6, 2022, Presidential Determination through the Defense Production Act (DPA) to prioritize the domestic production of transformers to bolster grid resiliency and national security. In response to that Determination and a subsequent Request for Information issued by DOE, manufacturers provided numerous recommendations on how best to scale up production. One such proposal included the standardization of “emergency-use” products, or transformers built to lower energy conservation standards to meet DPA expectations of greater output.

Despite this information and our organizations’ close work with DOE to explore short and long-term solutions to this crisis, the Department issued a notice of proposed rulemaking (NPR) that would, through its various requirements, further exacerbate the supply chain situation. The proposed rule would dictate that manufacturers increase the efficiency of distribution transformers by a mere tenth of a percentage point.

DOE already mandates distribution transformers be manufactured to incredibly high-efficiency standards. Currently, NEMA calculates a three-phase liquid-immersed distribution transformer with a kilovolt-ampere (kVA) output rating of 2500 is already 99.53% efficient; a similar single-phase type with a kVA of 833 is 99.55% efficient.

Importantly, due to the intricate ways transformers are designed and assembled, increasing their efficiency even by a fraction of a percentage point could add months to an already lengthy order cycle. Our organizations agree that energy efficiency standards play an important role in reaching decarbonization benchmarks while transitioning our nation to a clean and increasingly electrified economy. However, the rule would delay realizing these benefits by worsening supply chain complications already known to DOE.

Additionally, the proposed rule would require manufacturers to transition to a different type of steel, which is largely untested, less flexible, and more expensive. Further, the existing supply chain of this alternative steel is very limited and mostly foreign-sourced. This rule would impose unnecessary cost burdens and further delay the delivery of such critical products. Simply put, this DOE proposal does nothing to address and will instead exacerbate the current distribution transformer shortage crisis.

Given the unprecedented demand for distribution transformers, our organizations urge DOE to maintain the current efficiency levels required of these products. Getting these already highly efficient products into the market faster should be the highest priority and will result in the realization of electrification benefits much sooner—benefits that will far outweigh any gains achieved through a fractional percentage increase in efficiency.

Thank you for your time and consideration of this issue. We would like to set up a meeting with you at your earliest convenience to further address this issue and the impacts on electric reliability, national security, and the strain it is creating in meeting this administration's clean energy goals.

Sincerely,

American Public Power Association

Edison Electric Institute

National Association of Home Builders

National Electrical Manufacturers Association

National Rural Electric Cooperative Association