



November 18, 2022

The Honorable Patrick Leahy
Chair, Senate Committee on Appropriations
Room S-128, The Capitol
Washington, DC 20510

The Honorable Rosa DeLauro
Chair, House Committee on Appropriations
H-307, The Capitol
Washington, DC 20515

The Honorable Richard Shelby
Vice Chair, Senate Committee on
Appropriations
Room S-128, The Capitol
Washington, DC 20510

The Honorable Kay Granger
Ranking Member, House Committee on
Appropriations
1036 Longworth HOB
Washington, DC 20515

Dear Chairman Leahy, Vice Chair Shelby, Chairwoman DeLauro, and Ranking Member Granger:

On behalf of the National Rural Electric Cooperative Association (NRECA), American Public Power Association (APPA), Edison Electric Institute (EEI), National Association of Home Builders (NAHB), Leading Builders of America (LBA), and Associated General Contractors of America (AGC), we urge you to appropriate \$1 billion this year for implementation of the Defense Production Act (DPA) to specifically address the supply chain crisis for electric distribution transformers.

Throughout 2022, the electric sector and representatives from residential and commercial building sectors have been calling attention to the unprecedented supply chain challenges both industries have been facing in procuring equipment used to maintain and grow the electric grid. Specifically, electric utilities continue to have significant problems in procuring basic equipment – particularly distribution transformers – needed to operate the grid, provide reliable electric service, and restore power following severe storms and natural disasters. In housing construction, this is further exacerbating their ability to address the housing affordability crisis facing our nation.

Due to the threats to reliability, the Electricity Subsector Coordinating Council (ESCC), a partnership between the electric sector and the federal government aimed at combatting threats to critical infrastructure, established an industry “Tiger Team” to examine the supply chain crisis. Through this process, the electric industry has been able to report and confirm what individual utilities and the housing industry have been saying since late last year: that construction and electrification projects are now being deferred or canceled and that they are concerned about their ability to adequately respond to major storms due to depleted stockpiles.

The Tiger Team ultimately found that current transformer production is not meeting demand and that demand is expected to continue to increase in the coming years. Between 2020 and 2022, average lead times to procure distribution transformers across all segments of the electric industry and voltage classes rose 443 percent. The same orders that previously took two to four months to fill are now taking on average over a year. This is a serious threat to reliability.

Among the Tiger Team’s initial considerations for the federal government to address are labor shortages and material availability, which were identified as the most immediate short-term barrier to more manufacturing output. Additional long-term recommendations include building manufacturing capacity to support long-term demand and investing in domestic production of grain oriented electrical steel (GOES), a key transformer component.

Usage of DPA authorities to address labor and material shortages, focused specifically on the production of distribution transformers, is the most immediate way we can address this growing crisis. The upcoming work period is a critical opportunity to appropriate funds needed to help address these problems before the end of this year. Thank you for your time and consideration of this issue. We welcome the opportunity to discuss this further with you and your team.

Sincerely,



Jim Matheson
National Rural Electric Cooperative Association



Ken Gear
Leading Builders of America



Joy Ditto
American Public Power Association



Gerald M. Howard
National Association of Home Builders
of the United States



Tom Kuhn
Edison Electric Institute



Stephen E. Sandherr
Associated General Contractors of America