

Energy Efficiency

Summary

Energy efficiency is the ability to maximize energy use via more efficient technologies throughout the electric utility system, as well as for electric customers to minimize their energy use via a variety of tools, technologies, and behaviors. It is one of the most important, cost-saving tools available to utilities to meet energy demand, defer generation investment, and reduce greenhouse gas and other emissions. The federal government creates incentives for energy efficiency through legislation, regulations, the tax code, and executive orders. The American Public Power Association (APPA) provides tools and supports research and development projects for its members to deploy energy efficiency measures at their utilities. APPA is generally supportive of federal efforts to encourage and support such activities so long as they are cost-effective for consumers and have a reasonable payback period.

Regulatory Action

Beginning with the Energy Policy and Conservation Act (EPCA) of 1975, Congress has passed several laws to promote energy efficiency standards for consumer products and equipment. Today, the Department of Energy's (DOE) Building Technologies Office implements minimum energy conservation standards for more than sixty categories of products. The standard setting process, which includes the publication of a proposed rule in the *Federal Register*, allows for public and stakeholder feedback. DOE is required to set standards that are "technically feasible and economically justified." In 2007, Congress passed the Energy Independence and Security Act (EISA), which required DOE to create a schedule for the regular review and updating of efficiency standards. DOE, along with the Environmental Protection Agency, also administers the voluntary ENERGY STAR program to identify products and building materials that go beyond federal efficiency standards.

While many of the efficiency standards set by DOE regulate consumer products, including ceiling fans, light bulbs, furnaces, and refrigerators, some may directly impact public power utilities, notably the efficiency standards for distribution transformers. Public power utilities, especially smaller municipally owned electric utilities, are often distribution-only asset owners and operators. A significant portion of their capital costs are for the transformers and wires that bring electricity to end-use customers. Thus, APPA believes that any energy efficiency regulations on distribution transformers must be economically justified to ensure that end-use customers recoup the costs for any increases in capital investments required through such regulations. Complex electric system equipment, like a distribution transformer, also requires an especially flexible and thoughtful approach when it comes to energy efficiency regulations as there are often situations where efficiency gains can come at the cost of broader optimal system operability.

In August 2021, DOE proposed in Docket # EERE-2019-BT-STD-0018 updating existing energy efficiency regulations adopted in 2016 for distribution transformers. APPA filed comments recommending that DOE delay implementation of a new energy efficiency regulation until the market for transformer materials has returned to the projections used in the economic justification for the proposed regulation. The comments noted the need for flexible and economically justified regulations, as well as cited current supply chain constraints for distribution transformers. The proposed rule is still pending before DOE.

In light of increasingly severe supply chain constraints, in May 2022, APPA and the National Rural Electric Cooperative Association (NRECA) sent a letter to DOE Secretary Jennifer Granholm urging her to temporarily waive the existing energy conservation standard for distribution transformers. Manufacturers could use the waiver at their discretion to increase output as much as possible until the immediate supply crisis has abated, thereby increasing the stock of transformers available to public power utilities.

Congressional Action

Congress has long had, and continues to have, a strong interest in promoting energy efficiency. Several energy efficiency provisions were included in the Energy Act of 2020, which passed as part of the Consolidated Appropriations Act of 2021 and was signed into law in December 2020. Specifically, the law reauthorized the Weatherization Assistance Program, a DOE program that funds energy efficiency upgrades for low-income households. The Energy Act of 2020 also directed DOE to establish rebate programs to encourage the replacement of inefficient electric motors and transformers, which APPA supports.

The Infrastructure Investment and Jobs Act (P.L. 117-58) was signed into law in November 2021. It appropriated an additional \$2.5 billion for the Weatherization Assistance Program and \$550 million for the DOE Energy Efficiency Conservation Block Grant program, which provides block grants to cities, states, and Indian tribes for energy efficiency and conservation projects. Additionally, the law will create a grant program for energy efficiency improvements and renewable energy deployment at public schools.

Both Congress and the Biden administration have looked to federal energy efficiency standards to spur energy efficiency, with President Biden including an “Energy Efficiency and Clean Electricity Standard” as part of the American Jobs Plan, an infrastructure proposal released in March 2021 prior to the development of the bipartisan Infrastructure Investment and Jobs Act. Similarly, in 2021, Representatives Peter Welch (D-VT) and Yvette Clarke (D-NY) introduced legislation, H.R. 5889, the American Energy Efficiency Act, which would create a national energy efficiency standard and require utilities to achieve a 27 percent cumulative reduction in electricity use by 2035. Congress needs to be cognizant that many energy efficiency improvements require customers to purchase new appliances, make upgrades to their homes or businesses, and/or change their personal behavior, all actions that utilities cannot control. Though several states have implemented energy efficiency goals or standards, APPA believes that incentives, grants, rebates, and federal support for efficiency-related research and development are a more effective means to achieve greater energy efficiency nationally.

APPA Position

APPA strongly supports legislation to improve energy efficiency in multiple sectors. Many public power utilities have already taken steps on their own or through federal incentives, state funds, or local initiatives to improve their own energy efficiency and incentivize their customers to do the same. APPA will continue to work with Congress to promote strong energy efficiency policies, as well as ensure that DOE efficiency standards issued under EPCA are technically feasible and economically justified.

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The American Public Power Association is the voice of not-for-profit, community-owned utilities that power 2,000 towns and cities nationwide. We represent public power before the federal government to protect the interests of the more than 49 million people that public power utilities serve, and the 96,000 people they employ. Our association advocates and advises on electricity policy, technology, trends, training, and operations. Our members strengthen their communities by providing superior service, engaging citizens, and instilling pride in community-owned power.