

Sponsors: Missouri River Energy Services; Minnesota Municipal Utilities Association

**In Support of Legislation to Address the Technical Flaws Presented in the Source Energy Methodology Used by the Department of Energy and Environmental Protection Agency**

1 The Source Energy Metric (hereafter “Metric”) was created at the Energy Information Administration  
2 (EIA) to express the relative energy performance of buildings and appliances based on their respective  
3 source energy inputs. It has become common practice among various federal, state, and local government  
4 agencies to use the Metric to assess building and appliance performance. More specifically, the U.S.  
5 Department of Energy (DOE), the U.S. Environmental Protection Agency (EPA), and other organizations  
6 use the Metric in policies, programs, and regulations, such as the EPA Energy Star Program, DOE Home  
7 Energy Score, and DOE rules on reducing fossil fuel use to evaluate fossil fuel consumption at the  
8 building site.

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10 While this Metric can be useful in certain applications, its current calculation methodology is  
11 fundamentally flawed, which results in misleading regulations for the electric utility industry. For  
12 example, the current methodology assigns fossil fuel heat rates to off-site renewable energy generation  
13 and improperly provides incentives to fuel switch to on-site oil generation rather than use community  
14 renewable generation. This is technically inaccurate and creates a bias against grid-based renewable  
15 energy in favor of on-site fossil fuel consumption.

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17 Further, the Metric treats electricity delivered to a home as if it is less than one-third as efficient as fossil  
18 fuel (i.e.; natural gas) delivered to a home or business, regardless of the generation portfolio of the  
19 delivered electricity. The technical implications of using such a Metric implies that changing all coal to  
20 all renewable generation, hydro, or nuclear would lead to greater emissions and would be less efficient  
21 than changing from all coal to all natural gas. Therefore, the Metric is not reflecting reality.

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23 **NOW, THEREFORE, BE IT RESOLVED:** That the American Public Power Association (APPA)  
24 urges the Department of Energy (DOE) to reassess the accuracy of the Source Energy Metric (Metric);  
25 and

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27 **BE IT FURTHER RESOLVED:** That APPA urges DOE and the Environmental Protection Agency to  
28 revisit and reopen for public comment the past uses of the Metric in policies and regulations to ensure the  
29 accuracy of such impactful regulations; and

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31 **BE IT FURTHER RESOLVED:** That APPA believes the Metric fails to address the changing electric  
32 grid and needs to be adjusted to reflect the current generation portfolio; and

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34 **BE IT FURTHER RESOLVED:** That APPA supports efforts to make known the far-reaching impacts  
35 of this methodology on local governments and other organizations that may have used this tool in their  
36 local policy objectives; and

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38 **BE IT FURTHER RESOLVED:** If DOE is unwilling to revisit and correct this error, APPA supports  
39 congressional oversight to examine the problems arising from an inaccurate Metric and its policy  
40 implications, as well as legislation to direct DOE to correct the error.

**As adopted June 14, 2016, by the membership of the American Public Power Association at its  
annual meeting in Phoenix, Arizona.**