

ISSUE BRIEF June 2021

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, DOE's 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, others may directly impact public power utilities, notably the efficiency standards for distribution transformers. Complex electric system equipment like transformers require 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.

Congressional Action

Congress has long had, and continues to have, a strong interest in promoting energy efficiency. Most recently, 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 on December 27, 2020. Specifically, the law reauthorized the Weatherization Assistance Program, a Department of Energy



(DOE) program which 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.

On March 2, 2021, House Energy & Commerce Committee Democrats introduced H.R. 1512, the Climate Leadership and Environmental Action for our Nation's (CLEAN) Future Act, climate legislation that includes an efficiency title. The CLEAN Future Act would create a grant program for energy efficiency improvements and renewable energy deployment at public schools, a rebate program to reimburse homeowners for efficiency upgrades, and would reauthorize the Energy Efficiency and Conservation Block Grant (EECBG) program through fiscal year (FY) 2031. The bill would also amend EPCA to suspend federal preemption for energy efficiency standards if DOE does not issue them on schedule. Under this provision, the suspension ends only if DOE issues a new standard that is equal, or more stringent, than any state standards issued. APPA views this preemption suspension as problematic, particularly for DOE efficiency standards for equipment, including transformers. In the absence of DOE action, states could issue new standards, which would likely be based on regional conditions that are unreflective of other areas, and DOE would have to meet or exceed those to reestablish federal preemption. This could undermine the federal standard setting process, and in the case of transformers, allow a state to outlaw a class of transformers on which public power utilities depend.

Both Congress and the Biden administration have looked to federal energy efficiency standards as a means to spur energy efficiency, with President Biden including a “Energy Efficiency and Clean Electricity Standard” as part of the American Jobs Plan, an infrastructure proposal released in March 2021. Similarly, during the 116th Congress, Representatives Peter Welch (D-VT) and Yvette Clarke (D-NY) introduced legislation, H.R. 9036, the American Renewable Energy and Efficiency Act, which would have created a national renewable energy and energy efficiency standard and required utilities to achieve a 22 percent reduction in electricity use by 2030. 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 93,000 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.