



October 19, 2022

The Honorable Jennifer Granholm  
Secretary of Energy  
1000 Independence Ave. SW  
Washington, DC 20585

Dear Secretary Granholm:

On behalf of the American Public Power Association (APPA) and National Rural Electric Cooperative Association (NRECA), we urge you to prioritize Inflation Reduction Act (IRA) funding to immediately boost the domestic production of distribution transformers using your authority under the Defense Production Act (DPA) as invoked by President Biden.

Throughout 2022 we have been calling attention to the unprecedented challenges our members, representing the nation's not-for-profit, community-owned and rural electric utilities, are facing in procuring basic equipment needed to provide reliable electric service to Americans, as well as in restoring power following storms and natural disasters, particularly with regard to distribution transformers. Under your leadership, the Electricity Subsector Coordinating Council stood up a Tiger Team to examine the supply chain crisis and is bringing forward recommendations to solve current and long-term constraints. We've surveyed our members to provide the latest information to the Tiger Team and they report waiting on average a year or more for distribution transformers. Projects are now being deferred or canceled, and utilities are concerned about their ability to respond to more than one major storm in a season due to their depleted stockpiles.

The Department of Energy (DOE) was allocated at least \$250 million from the IRA to execute on DPA authorities. To our knowledge, the IRA gives DOE discretion to use the funds on any technology invoked under DPA. We respectfully urge you to reconsider your plan to use the entirety of the funds for heat pumps and instead put at least some of the funds to immediately increase distribution transformer production. The Tiger Team has identified labor as the most immediate challenge for manufacturers. We urge DOE to establish a \$220 million wage subsidy program that would assist manufacturers in attracting and retaining more workers, thus enabling them to move to 24/7 operations. We believe such a program could result in increased output of approximately 30 percent of distribution transformers in 2023 and support the workforce keeping the lights on in our country.

While we support long-term investment in domestic manufacturing capacity for heat pumps, we believe the current shortage of distribution transformers available to electric utilities poses an unacceptable risk to the electric reliability of our nation and urge you to alleviate this unprecedented situation by prioritizing available IRA funding for transformers. If we don't act today, we risk being unable to recover from a storm tomorrow. In the longer term, it could mean being unable to meet the electrification goals envisioned by the Biden administration. In the meantime, the backlog for distribution transformers continues to grow.

Thank you for your time and consideration of this critical issue. We welcome the opportunity to discuss this potential near-term solution further with you and your team. As DOE pursues ways to address this transformer shortage using existing IRA funds for DPA implementation, we look forward to working with DOE and Congress to ensure this effort is further supported in appropriations provided for Fiscal Year 2023.

Sincerely,

A handwritten signature in black ink, appearing to read "Joy Ditto".

Joy Ditto  
American Public Power Association

A handwritten signature in black ink, appearing to read "Jim Matheson".

Jim Matheson  
National Rural Electric Cooperative Association