October 26, 2021

Submitted electronically to Manufactured_Housing@ee.doe.gov

Re: **Request for Comment on Supplemental Notice of Proposed Rulemaking (SNOPR) on Energy Conservation Standards for Manufactured Housing (EERE-2009-BT-STD-0021)**

To Whom It May Concern:

The National Rural Electric Cooperative Association (NRECA) respectfully submits the following comments in response to the U.S. Department of Energy's request for comment on its Supplemental Notice of Proposed Rulemaking (SNOPR) on Energy Conservation Standards for Manufactured Housing (EERE-2009-BT-STD-0021).

Summary

NRECA supports DOE efforts to improve the energy efficiency of manufactured housing. Electric cooperatives are committed to finding cost-effective solutions that help their consumer-members save money. Our members' experience shows the most effective way to both improve efficiency in manufactured homes and lead to lower electricity bills for their consumer-members is by upgrading to high-efficiency heat pumps in the heating systems of these homes up front, before the home is delivered. Incorporating energy efficient technologies in new manufactured homes makes sense and can represent a significant cost savings to co-ops and their consumer-members. It is critical, however, that efforts to drive improved energy efficiency do not sacrifice housing affordability for consumer-members who can least afford other alternatives.

Background

NRECA is the national trade association representing nearly 900 local electric cooperatives and other rural electric utilities. America's electric cooperatives are owned by the people that they serve and comprise a unique sector of the electric industry. From growing regions to remote farming communities, electric cooperatives power 1 in 8 Americans and serve as engines of economic development for 42 million Americans across 56 percent of the nation's landmass.

Electric cooperatives operate at cost and without a profit incentive. NRECA's member cooperatives include 63 generation and transmission (G&T) cooperatives and 832 distribution cooperatives. The G&Ts generate and transmit power to distribution cooperatives that provide it to the end of the line co-op consumer-members. Collectively, cooperative G&Ts generate and transmit power to nearly 80 percent of the distribution cooperatives in the nation. The remaining distribution cooperatives receive power directly from other generation sources within the electric utility sector. Both distribution and G&T cooperatives share an obligation to serve their members by providing safe, reliable, and affordable electric service.

Letter to DOE Office of Energy Efficiency and Renewable Energy
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We appreciate the opportunity to provide NRECA's perspective in response to DOE's SNOPR. This topic is important to electric cooperatives because many consumers in rural communities are less affluent than those in other parts of the U.S. In 2019, the median household income for electric cooperative consumer-members was 11% below the national average. Electric cooperatives serve 92% (364 of 395) of the persistent poverty counties in the United States, and cooperatives serve an average of eight customers per mile of line and collect annual revenue of approximately $19,000 per mile; the other utility sectors average 32 customers and $79,000 in annual revenue per mile. Electric cooperatives are consumer-owned so any new costs imposed on the co-op are ultimately passed on to their consumer-members. Oftentimes these are low- and middle-income (LMI) consumers, who can least afford cost increases – which sometimes can put home ownership out of bounds completely. Manufactured housing provides a traditionally more affordable housing option and thus opens the gateway to home ownership for many LMI consumers, particularly in communities served by electric cooperatives. For many of our members, manufactured housing comprises 25 percent or more of the co-op's residential housing stock.[1]

Electric cooperatives have a long history of investing in energy efficiency, with one of the avenues they utilize being the U.S. Department of Agriculture's Rural Energy Savings Program (RESP). This program provides loans to the co-ops that can then make affordable loans available to help consumers implement cost-effective energy efficiency measures. RESP helps reduce energy bills for consumers in rural communities, reduce obstacles to investing in energy efficiency projects or activities, and support economic development in rural America. This program is a critical tool that helps ensure LMI consumers can invest in energy efficiency measures, which they might not otherwise be able to afford, and save on their energy bills by reducing their energy usage in the process.

Electric cooperatives support the concept of improving the energy efficiency of manufactured housing and therefore we support an energy conservation standard for manufactured housing, in principle. Incorporating energy efficient technologies in new manufactured homes makes sense and can represent a significant cost savings to co-ops and their consumer-members. It is critical, however, that efforts to drive improved energy efficiency do not sacrifice housing affordability for consumer-members who can least afford other alternatives.

We are concerned that the proposed standards in the SNOPR for manufactured housing could put home ownership out of reach for those who cannot afford site-built homes, thus denying them the potential opportunity to attain this milestone for themselves and their families. We understand that DOE may be aiming to help consumers by improving the efficiency of new manufactured housing stock, but we respectfully submit that the SNOPR as currently drafted misses the mark. Co-ops support a more efficient housing stock because it will contribute to increased consumer-member satisfaction, fewer high bill complaints, fewer unpaid bills and disconnects, and hold peak demand costs down. Our members have explored and implemented many different initiatives to improve energy efficiency for their consumer-members and we respectfully submit that they are doing so in a way that balances costs and benefits. We urge DOE to reconsider the proposal in its SNOPR to balance affordability of manufactured housing with common-sense, proven methods at improving their energy efficiency. We appreciate DOE's consideration of our members' unique perspective and deep experience on this important issue.

Co-ops are invested in improving energy efficiency for their consumer-members.

[1] For more information, see: https://www.cooperative.com/programs-services/bts/Documents/TechSurveillance/Surveillance-Manufactured-Housing-Efficiency-July-2019.pdf

Between 2014-2016, NRECA and East Kentucky Power Cooperative, an NRECA member, participated in the negotiated rulemaking working group (WG) to inform DOE on developing energy conservation standards for manufactured housing. The WG delivered a term sheet to DOE which formed the basis for the 2016 NOPR, which NRECA generally supported even if certain aspects around affordability were concerning to us.[2] As already mentioned, electric cooperatives serve a significant number of consumer-members who live in manufactured housing, many times reaching a quarter of the housing stock in their service territories and sometimes up to one-third. Co-ops are well versed in the problems that stem from inefficient housing, such as problems associated with high energy bills, inability to pay bills, and increasing peak demand costs, which ultimately all of the co-op's consumer-members must shoulder.

Co-ops are implementing affordable solutions to improve efficiency in manufactured homes.

Electric cooperatives have a great deal of experience in exploring cost-effective ways to improve energy efficiency for their consumer-members, including those who live in manufactured housing. Some of our members are winter peaking utilities, meaning their peak demand costs are most acute during the coldest months when consumers tend to turn up the heat in their homes. For consumer-members living in manufactured homes, this can often lead to an expensive surprise when their monthly electricity bill arrives. It is important that the homes are energy efficient to keep energy bills down, but it must also be appropriately balanced with affordability. Manufactured homes oftentimes are equipped with inefficient heating systems, leading to high energy bills. For consumers who believe they are making an affordable housing choice when purchasing a new manufactured home, the high electricity bills that arrive in the winter months can make for big surprises. In some cases, the consumer-member's electricity bill turns out to be higher than the monthly financing payment on the manufactured home.

Our members are very interested in how these homes can become more energy efficient for their consumer-members and want to take reasonable measures to reduce the "energy burden" many of their consumer-members face. Electric cooperatives have researched and implemented programs to provide energy efficient options to their consumer-members. Our members see it as the right thing to do for their consumer-members, namely: stem the tide of high bill issues, reduce the number of habitual disconnects, and reduce the amount of bad debt consumer-members may accumulate from high electricity bills they cannot afford.

We understand that the Energy Independence and Security Act (EISA) requires DOE to base energy conservation standards for manufactured housing on the most recent version of the International Energy Conservation Code (IECC), except in cases where DOE finds that the IECC is not cost-effective. We are concerned that the 2021 IECC standard and the other features of the SNOPR could ultimately price many consumers out of the market and urge DOE to instead consider other ways of making the standard more cost-effective, consistent with applicable law.

One of the most effective tools our members have used to put this idea into practice is by providing rebates to install high-efficiency heat pumps in new or existing manufactured homes. For example, one of our members works directly with the manufactured home dealer to provide a rebate for the cost difference between other heating equipment and a high-efficiency heat pump so that the price difference does not show up in the monthly financing payment for the consumer-member. This is an important distinction because the consumer-member, when looking at purchasing a new manufactured home, does

[2] For more background, see: https://www.electric.coop/keeping-energy-efficiency-at-home

not see a higher price to choose the more efficient home up front and thus will not be disincentivized from doing so.

DOE should focus on incentivizing dealers to offer Energy Star qualified or equivalent manufactured homes at the same prices as other manufactured homes.

Manufactured home dealers are understandably focused primarily on selling new manufactured homes and oftentimes unaware of how high the energy bills may be for their products using inefficient furnaces. More education of sales staff could result in greater returns for Energy Star qualified or equivalent manufactured homes. Our members have researched upgrading the "shell" or envelope of the manufactured home through rebates but doing so did not make sense once applying a cost-benefit analysis. Focusing on upgrading the heating/cooling of the manufactured home made the most economic sense and is thus where our members have concentrated their efforts to support energy efficiency in manufactured housing. For new homes, upgrading the system in the factory is going to be more affordable than relying on retrofits later on.

The reality is that any new costs imposed on the manufactured home will impact the monthly financing payment for the home and thus will impact what the consumer chooses. As DOE points out in the SNOPR through its analysis, "manufactured home consumers are particularly cost-driven."[3] Manufactured homes are often the only affordable choice for LMI consumers to partake in home ownership. Increasing that cost per month because of efficiency upgrades must have a quick payback to appropriately balance affordability issues.

We appreciate that DOE is looking at whether there are cost-effective approaches that would also mitigate first-cost impacts for purchasers at the lower end of the manufactured home price range. We believe this can be done by incentivizing rebates for high-efficiency heat pumps installed in new homes before delivery. For example, DOE could incentivize dealers to showcase Energy Star qualified manufactured homes on their lots by providing rebates for the price difference to the dealers so that the price difference does not force the consumer to make a choice between affordability and home ownership. Such action would be a more cost-effective way to improve the overall efficiency of new manufactured homes up front in such a way that would not jeopardize home ownership potential for consumers. Further, upgrading the heating/cooling system on the factory floor is ultimately going to be more affordable when compared to retrofitting an existing unit after it has been delivered.

Requiring manufactured homes to adhere to the 2021 IECC standard is unnecessary and requires a disproportionate burden compared to site-built homes.

NRECA respectfully questions the use of the 2021 IECC standard for manufactured housing in the SNOPR. Most states are still following the 2009 IECC standard for site-built homes.[4] That does not mean we are suggesting that manufactured homes follow the 2009 IECC standard, but rather to highlight the discrepancy in how efficiency will be measured between site-built homes and manufactured homes as envisioned in the SNOPR. As currently drafted, the SNOPR places a disproportionate burden on those consumers who can least afford price increases to their housing. We respectfully suggest that DOE

[3] Notice of supplemental notice of proposed rulemaking and request for comment: Energy conservation Program: Energy Conservation Standards for Manufactured Housing. 86 FR 47757
[4] See https://www.energycodes.gov/status/residential

look to other iterations of the IECC standard which could better balance efficiency and affordability, while still including an efficient building envelope as part of the standard.

It is important to consider first-cost affordability and life-cycle consumer cost savings.

As we have detailed, consumers looking at purchasing manufactured homes are very price sensitive and the cost increases resulting from the SNOPR are going to take thousands of would-be homeowners out of the market. DOE estimates that the life-cycle cost savings and energy cost savings of the requirements in the SNOPR ***could*** outweigh the potential increase in purchase price for manufactured homes. But the reality is that consumers may be deterred from purchasing the new manufactured home at all if they see their monthly financing payment will be higher.

Further the payback period in the SNOPR for adhering to the 2021 IECC standard is over 10 years, which is too long for price-sensitive consumers. As stated previously, it would be better in our view for DOE to incentivize manufactured home dealers to sell new homes featuring high-efficiency heat pumps rather than less efficient furnaces. Our own analysis shows that upgrading the furnace to a heat pump requires the least incremental cost with a payback period of just one year.[5]

We appreciate DOE's attempt to address price sensitivity through the set of "tiered" standards in the SNOPR (delineated first by the price threshold of $55,000, and modified to $63,000 in the subsequent Notice of Data Availability).[6] Many LMI consumers purchasing their first manufactured home may well fall into the Tier 1 category. For other consumer-members though, we expect to see them purchasing homes with the double seam, and thus will likely fall under Tier 2 and not be able to experience the benefits of the delineation between Tier 1 and Tier 2 that DOE has proposed.

Conclusion

We support DOE efforts to improve the energy efficiency of manufactured housing. Electric cooperatives are committed to finding cost-effective solutions that help their consumer-members save money. Our members' experience shows the most effective way to both improve efficiency in manufactured homes and lead to lower electricity bills for their consumer-members is by upgrading to high-efficiency heat pumps in the heating systems of these homes up front, before the home is delivered. While other measures can provide additional efficiency gains, focusing on improving the efficiency of the heating/cooling system for the home will deliver the most cost-effective results. We are concerned the SNOPR does not adequately address the affordability concerns that price-sensitive consumers will face when considering purchasing a new manufacturing home that must adhere to the SNOPR's standards. Ultimately, we fear that if the SNOPR is finalized as drafted the door to home ownership for these consumers may be shut and that opportunity lost for them.

[5] See "Table 2: Estimated cost and benefits of a range of energy reduction strategies," Page 8. https://www.cooperative.com/programs-services/bts/Documents/TechSurveillance/Surveillance-Manufactured-Housing-Efficiency-July-2019.pdf

[6] Price threshold updated based on Notice of Data Availability issued October 26, 2021: https://www.federalregister.gov/documents/2021/10/26/2021-23188/energy-conservation-program-energy-conservation-standards-for-manufactured-housing-availability-of

Thank you for considering our comments and we welcome the opportunity to discuss this issue further with your team. Please contact me at stephanie.crawford@nreca.coop or 703-907-5732 if you have any questions regarding these comments.

Sincerely,

Stephanie Crawford

Stephanie Crawford
Senior Regulatory Manager
National Rural Electric Cooperative Association