

June 20, 2023

Submitted electronically via CriticalMaterialsRFI@ee.doe.gov

Re: Proposed Determination and Request for Information on the Department of Energy's Critical Materials Assessment

To Whom It May Concern:

The National Rural Electric Cooperative Association (NRECA) respectfully submits the following comments to the U.S. Department of Energy (DOE) in response to the agency's Proposed Determination and Request for Information on its Critical Materials Assessment. We write in strong support of DOE's addition of electrical steel to the Critical Materials Assessment in the May 31, 2023 Proposed Determination.

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 landscape.

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. Both distribution and G&T cooperatives share an obligation to serve their members by providing safe, reliable, and affordable electric service.

NRECA members are some of the primary consumers of distribution transformers and large power transformers and the persisting supply chain challenges they are facing to procure these vital types of equipment are impacting our members' ability to provide affordable, reliable electric service to millions of Americans. All segments of the utility sector have been sounding the alarm for more than a year about the supply chain constraints around multiple types of equipment they require to keep the lights on, with distribution transformers being the most acute challenge. It now takes more than a year on average for utilities to receive distribution transformers, compared with 60 days just a couple of years ago. Some domestic transformer manufacturers have stopped taking orders altogether. We expect the backlog to continue to increase absent U.S. government support as utilities invest in grid resilience and modernization projects and federal and state policies drive more electrification.

Electrical steel is a critical material in both distribution and large power transformers, and thus is critical to electric cooperatives, the wider utility sector, and to supporting electrification initiatives underway. However, the skyrocketing demand and limited domestic availability of electrical steel, particularly grain oriented electrical steel (GOES), is very concerning to us. As such we support DOE's inclusion of electrical steel in the Critical Materials Assessment and urge the agency to prioritize actions that will create a sustainable supply.

Letter to U.S. Department of Energy
RE: Critical Materials Assessment
June 20, 2023

To deliver on the ambitious goals of the Infrastructure Investment and Jobs Act (IIJA), and Inflation Reduction Act (IRA), it is vital that the federal government recognize and support the domestic production of electrical steel to meet the unprecedented demand for electrification and grid modernization and resilience initiatives. The limited availability of domestically manufactured electrical steel poses challenges to the widespread adoption of electric vehicles, delays timelines for utilities to restore power following natural disasters and is a contributing factor to an insufficient inventory of distribution transformers to meet the demand for new residential and commercial construction.

The United States is dependent on a single manufacturer for GOES, which severely limits electrical manufacturers' ability to source domestically and meet certain domestic content thresholds. Unless the government takes appropriate action, domestic supply levels will not be able to meet electrification goals and satisfy demand created by the IIJA and IRA. Further, plans to expand domestic steel capacity and manufacturing of critical electrical equipment, such as transformers, are now in flux as DOE contemplates new efficiency standards that would upend the market and manufacturing process. The proposed efficiency standards would likely drive the lone domestic supplier of GOES out of the market, just when we need more investment in GOES production capacity. Manufacturers will require more material to meet the increased demand for transformers as electrification continues. That need for sufficient material continues to grow as competing technologies that utilize the same materials are also growing. The present situation in which there is just one U.S. producer of GOES represents a serious national security risk. In addition, the proposed efficiency standards will make it even more difficult to onshore large power transformer manufacturing that relies on GOES.

For all of the reasons stated above, NRECA supports DOE's addition of electrical steel to its Critical Materials Assessment as detailed in the May 31, 2023 Proposed Determination, and urges DOE to keep it included in the final assessment in furtherance of driving toward a sustainable domestic supply.

Thank you for considering our comments. Please contact me at 703-907-5732 if you have any questions.

Sincerely,

Stephanie Crawford

Stephanie Crawford
Regulatory Affairs Director
National Rural Electric Cooperative Association