

November 30, 2022

Submitted electronically to dpaheatpump@energy.gov

Re: Notice of Intent and Request for Information Regarding Establishment of a Program to Use Defense Production Act to Support Electric Heat Pump Manufacturing and Deployment

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 (DOE) Notice of Intent (NOI) and Request for Information (RFI) regarding establishment of a Program to Use Defense Production Act to Support Electric Heat Pump Manufacturing and Deployment.

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 62 generation and transmission (G&T) cooperatives and 831 distribution cooperatives. The G&Ts generate and transmit power to distribution cooperatives that provide it to the end of 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.

We appreciate the opportunity to provide NRECA's perspective in response to DOE's RFI. As cooperatives transition their generation sources to new resources as well as build infrastructure to support increased electrification of the U.S. economy, it is vital that electric cooperatives can secure the necessary materials and products to ensure affordable, reliable power to their consumer-members.

We support long-term investment in domestic manufacturing capacity for heat pumps. However, we believe the Biden administration's decision to allocate \$250 million for Defense Production Act (DPA) authorities from the Inflation Reduction Act (IRA) is premature and inconsistent with the immediate challenges created by the shortage of transformers, another technology invoked under the DPA by President Biden.

For the past year, we have been calling attention to the unprecedented challenges our members have been 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. As a result, the Electricity Subsector Coordinating Council stood up a Tiger Team to examine the supply chain crisis and make 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 our members are concerned about their ability to respond to more than one major storm in a season due to their depleted stockpiles.

Given the current situation, we strongly encourage DOE to reconsider its plan to use its IRA funding for DPA activities on heat pumps and instead direct the funding to address the immediate shortage of distribution transformers. 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 the U.S. cannot address the shortage and growing backlog associated with transformers and other grid components, we may not be able to serve the new load that would be added to the electric distribution system by the heat pumps DOE is trying to spur on as described in this NOI and RFI. In addition, the goals for decarbonization and electrification envisioned by the Biden administration will likely be unattainable without sufficient supply of distribution transformers.

Thus, we respectfully encourage DOE to use its existing funding from IRA for DPA activities on distribution transformers and to delay action on heat pumps. Again, we support long-term investment in domestic manufacturing capacity for heat pumps. But we feel it is critical to address the transformer shortage before the risk to grid reliability grows any further and to make it possible for us to support other electrification initiatives that will require transformers to implement. We suggest that the existing IRA funding could be put toward a wage subsidy program to assist manufacturers in attracting and retaining more workers and could result in increased output in the near term. We welcome the opportunity to discuss further details of this potential solution with DOE.

The federal government should consider ways to support domestic manufacturing capabilities for all technologies needed to support the energy sector. This will likely include heat pumps in the future. But at this time, we urge DOE to prioritize funding for the most immediate need for the grid, which is distribution transformers. The grid is expected to undergo significant change in the decades to come and a secure, sustainable and resilient supply chain will be vital to ensuring electric cooperatives and other utilities can deliver affordable, reliable power. Directing the IRA funding to distribution transformers is an important step to help support the supply chain serving the utilities that keep the lights on for Americans.

Thank you for considering our comments. Please contact me at stephanie.crawford@nreca.coop or 703-907-5732 if you have any questions regarding these comments.

Sincerely,



Stephanie Crawford
Regulatory Affairs Director
National Rural Electric Cooperative Association