

# Energy Efficiency

- Energy efficiency is one of the most important, cost-saving tools available to utilities to meet energy demand, defer generation investment, reduce greenhouse gas and other emissions, and lower customers' utility bills.
- The federal government creates incentives for energy efficiency through legislation, regulations, the tax code, and executive orders. The American Public Power Association (APPA) is generally supportive of federal efforts to encourage and support efficiency if they are cost-effective for consumers and have a reasonable payback period.
- Given that many energy efficiency improvements require changes in customer behavior that are beyond a utility's control, APPA believes Congress should continue to provide incentives, grants, rebates, and federal support for energy efficiency research and development to encourage, but not mandate, achieving greater energy efficiency.

## Background

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. In other words, energy efficiency means using less energy to get the same task or function accomplished. Beginning with the Energy Policy and Conservation Act of 1975 (EPCA), Congress has passed several laws to promote energy efficiency standards for consumer products and equipment. Today, the Department of Energy's (DOE) Building Technologies Office implements minimum energy conservation standards for more than 65 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, which required DOE to create a schedule for the regular review and updating of efficiency standards. DOE, along with the Environmental Protection Agency, administers the voluntary ENERGY STAR labeling 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 appliances, lighting, heating, ventilation, and air conditioning, and smart home energy technologies, some directly impact public power utilities, notably the efficiency standards for distribution transformers. Public power utilities, especially smaller ones, are often distribution-only asset owners and operators. A significant portion of their capital costs are for the transformers and wires that bring electricity to end-use customers.

APPA believes that any energy efficiency regulations on distribution transformers must not constrain market production and be economically justified to ensure that end-use customers recoup the costs for any increases in capital investments required through such regulations. Complex electric system equipment, like a distribution transformer, require an especially flexible and thoughtful approach to energy efficiency regulations, as there are often situations where efficiency gains can come at the cost of broader optimal system operability.

## Congressional Action

Several energy efficiency provisions were included in the Energy Act of 2020, which was enacted into law as part of the Consolidated Appropriations Act of 2021 (P.L. 116-260). Specifically, the law reauthorized the Weatherization Assistance Program (WAP), a DOE program that 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.

The Infrastructure Investment and Jobs Act (IIJA/P.L. 117-58) appropriated an additional \$2.5 billion for the WAP. It also appropriated \$550 million for the DOE Energy Efficiency and Conservation Block Grant program, which provides block grants to cities, states, and Indian tribes for energy efficiency and conservation projects. Additionally, the law created a grant program for energy efficiency improvements and renewable energy deployment at public schools.

The Inflation Reduction Act (P.L. 117-169) extended or created several new tax incentives for residential energy efficiency improvements, including increasing the credit for residential energy efficiency home improvements, energy efficient home appliances, creating a rebate program for residential energy saving retrofits, and new grants for states to support energy efficiency training for contractors.

In May 2024, the House of Representatives approved H.R. 6192, the Hands Off Our Home Appliances Act, which would modify the process by which DOE amends, revokes, or implements energy conservation standards for certain consumer products under the EPCA. Representative Debbie Lesko (R-AZ) introduced the bill in response to the Biden administration's energy efficiency policies and concerns they were limiting consumers' choices for home appliances, especially natural gas-powered appliances. H.R. 6192 would prohibit the Secretary of Energy from prescribing any new or amended energy conservation standard for a product that is not technologically feasible and economically justified. The bill was not taken up in the Senate.

A bill to establish a national energy efficiency resource standard, the American Energy Efficiency Act of 2024 (H.R. 9467/S. 4615), was introduced by Senator Tina Smith (D-MN) in June and by Representative Kathy Castor (D-FL) in September 2024. The legislation, which was not considered in the 118th Congress, was drafted to "build upon state successes [on energy efficiency policy] to establish a national energy efficiency resource standard." APPA does not support the creation of a national energy efficiency standard. Rather, APPA believes that Congress should continue to provide incentives, grants, rebates, and federal support for energy efficiency research and development to encourage improved energy efficiency.

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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 and protect the interests of the more than 54 million people that public power utilities serve and the 96,000 people they employ.