



CLIFFS



March 5, 2024

Dear Senator:

The security, reliability, and resiliency of America's electrical grid depends on a readily available supply of critical components, including distribution transformers. Americans expect government to be a reliable partner to help ensure that critical grid component supply chains are efficient so that these products are accessible domestically and the lights stay on. To that end, we want to thank you, and 46 of your Senate colleagues, for signing Senator Hagerty's (R-TN) bipartisan June 1, 2023 letter to Secretary Granholm urging the Department of Energy (DOE) to refrain from promulgating a final rule that will exacerbate the current shortage of distribution transformers.

In January 2023, DOE published the proposed rule: *Energy Conservation Program: Energy Conservation Standards for Distribution Transformers*. If finalized, the rule would marginally increase efficiency standards for distribution transformers by effectively requiring all products to shift from the industry standard grain oriented electrical steel (GOES) cores to amorphous steel cores. DOE already requires these critical grid components to be highly efficient; currently, such products are made to be no less than 97.7% efficient.

Building on the spirit of the June 1 letter, Senators Brown (D-OH) and Cruz (R-TX) recently introduced bipartisan legislation that addresses the energy security concerns related to DOE's rulemaking. The *Distribution Transformer Efficiency and Supply Chain Reliability Act (S. 3627)* would stabilize the supply chain and ensure long-term certainty in the production of energy efficient distribution transformers with highly-efficiency GOES cores. The bill

currently has 13 additional bipartisan cosponsors—an encouraging signal that both parties are serious about securing this piece of critical infrastructure.

This compromise legislation would address two main concerns: it would allow for practical efficiency gains in distribution transformers while simultaneously providing long-term supply chain certainty for component suppliers, manufacturers, and customers of this product. The bill would limit DOE's ability to establish an efficiency standard above a plane known as trial standard level (TSL) 2. Products made to specifications higher than TSL 2 would require the sole use of amorphous steel to achieve efficiency gains. However, amorphous steel relies on imported substrate, is extremely limited in supply, and would require manufacturers to overhaul product designs and retool production processes, thus further exacerbating the current transformer shortage. TSL 2 levels can be achieved with domestically available GOES as well as with amorphous steel.

**Our diverse coalition of grid component suppliers, manufacturers, labor, utilities, and customers strongly request your co-sponsorship of S. 3627 and your continued support for this issue.** DOE is required to finalize its rule by June 1 and we understand the rule is currently pending review at the Office of Management and Budget; therefore, the urgency of this legislation is paramount. Support and passage of this bill will help ensure that the domestic supply chain for this critical grid component, necessary to enable a community's development as well as for energy resiliency, security, and transition, can be maintained.

Sincerely,

American Public Power Association  
Cleveland-Cliffs Inc.  
Edison Electric Institute  
The GridWise Alliance  
International Brotherhood of Electrical Workers  
Leading Builders of America  
National Association of Home Builders  
National Electrical Manufacturers Association  
National Rural Electric Cooperative Association  
Transformer Manufacturing Association of America  
United Auto Workers Union Local 3303  
Zero Emission Transportation Association