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June 13, 2014

The Honorable Mary L. Landrieu  
Chair  
The Honorable Lisa Murkowski  
Ranking Member  
Committee on Energy and Natural Resources  
United States Senate

The Honorable Fred Upton  
Chairman  
The Honorable Henry A. Waxman  
Ranking Member  
Committee on Energy and Commerce  
House of Representatives

Subject: *Department of Energy: Energy Conservation Program: Energy Conservation Standards for Commercial and Industrial Electric Motors*

Pursuant to section 801(a)(2)(A) of title 5, United States Code, this is our report on a major rule promulgated by the Department of Energy (Energy) entitled "Energy Conservation Program: Energy Conservation Standards for Commercial and Industrial Electric Motors" (RIN: 1904-AC28). We received the rule on May 29, 2014. It was published in the *Federal Register* as a final rule on May 29, 2014, with a stated effective date of July 28, 2014. 79 Fed. Reg. 30,934.

The final rule establishes energy conservation standards for a number of different groups of electric motors that Energy has not previously regulated. For those groups of electric motors currently regulated, this rulemaking would maintain the current energy conservation standards for some electric motor types and amend the energy conservation standards for other electric motor types. Energy determined that the new and amended energy conservation standards for this equipment would result in significant conservation of energy and are technologically feasible and economically justified.

Enclosed is our assessment of Energy's compliance with the procedural steps required by section 801(a)(1)(B)(i) through (iv) of title 5 with respect to the rule. Our review of the procedural steps taken indicates that Energy complied with the applicable requirements.

If you have any questions about this report or wish to contact GAO officials responsible for the evaluation work relating to the subject matter of the rule, please contact Shirley A. Jones, Assistant General Counsel, at (202) 512-8156.

signed

Robert J. Cramer  
Managing Associate General Counsel

Enclosure  
cc: Daniel Cohen  
Assistant General Counsel for Legislation,  
Regulation and Energy Efficiency  
Department of Energy

REPORT UNDER 5 U.S.C. § 801(a)(2)(A) ON A MAJOR RULE  
ISSUED BY THE  
DEPARTMENT OF ENERGY  
ENTITLED  
"ENERGY CONSERVATION PROGRAM:  
ENERGY CONSERVATION STANDARDS FOR  
COMMERCIAL AND INDUSTRIAL ELECTRIC MOTORS"  
(RIN: 1904-AC28)

(i) Cost-benefit analysis

The Department of Energy (Energy) discussed the costs and benefits of this final rule. Energy calculated that the weighted average life cycle cost savings for consumers of the three equipment class groups covered by this rule are \$160, \$53, and none (because the standard level is the same as the baseline and, thus, no customers are affected), respectively. The weighted median payback periods for the three groups are 2.9 years, 4.5 years, and none. Energy also calculated the impact on manufacturers. Using a real discount rate of 9.1 percent, Energy estimated that the industry net present value (INPV) for manufacturers of electric motors is \$3,478 million. Under the standards in this rule, Energy expects that manufacturers may lose up to 10.0 percent of their INPV, approximately \$348 million. Additionally, Energy does not expect any plant closings or significant loss of employment based on the energy conservation standards in this rule.

Energy also estimated the national benefits and costs of this final rule. For electric motors shipped in 2016 to 2045, Energy estimates that the present value of the total national economic benefits is \$30.9 billion using a 7 percent discount rate and \$54.4 billion using a 3 percent discount rate. Energy further estimates that the present value of the total national costs is \$6.9 billion using a 7 percent discount rate and \$12.5 billion using a 3 percent discount rate. In addition to its present value estimates, Energy also calculated annualized benefits and costs of this rule. Using a 7 percent discount rate for benefits and costs other than carbon dioxide (CO<sub>2</sub>) reduction (for which Energy used a 3 percent discount rate along with the average social cost of carbon series (SCC) that uses a 3 percent discount rate), the cost of the standards in this rule is \$517 million per year in increased equipment costs (incremental installed costs), while the estimated benefits are \$1,367 million per year in reduced equipment operating costs, \$614 million in CO<sub>2</sub> emission reductions, and \$23.3 million in reduced nitrogen oxides (NO<sub>x</sub>) emissions. In this case, the net benefits would amount to \$1,488 million per year. Using a 3 percent discount rate for all benefits and costs and the average SCC series, the estimated cost of the standards in this rule is \$621 million per year in increased equipment costs, while the estimated benefits are \$2,048 million per year in reduced operating costs, \$614 million in CO<sub>2</sub> emission reductions, and \$32.9 million in reduced NO<sub>x</sub> emissions. In this case, the net benefit would amount to approximately \$2,074 million per year.

(ii) Agency actions relevant to the Regulatory Flexibility Act (RFA), 5 U.S.C. §§ 603-605, 607, and 609

Energy prepared a final regulatory flexibility analysis for this final rule. The analysis included (1) a description and estimated number of small entities regulated; (2) a description and estimate of compliance requirements; (3) any duplication, overlap, or conflict with other rules and regulations; and (4) significant alternatives to the rule.

(iii) Agency actions relevant to sections 202-205 of the Unfunded Mandates Reform Act of 1995, 2 U.S.C. §§ 1532-1535

Energy has concluded that this final rule would likely require expenditures of \$100 million or more. Such expenditures may include investment in research and development and in capital expenditures by electric motor manufacturers in the years between the final rule and the compliance date for the new standards, and incremental additional expenditures by consumers to purchase higher-efficiency electric motors, starting at the compliance date for the applicable standard. Energy stated that this final rule establishes energy conservation standards for electric motors that are designed to achieve the maximum improvement in energy efficiency that Energy has determined to be both technologically feasible and economically justified.

(iv) Other relevant information or requirements under acts and executive orders

Administrative Procedure Act, 5 U.S.C. §§ 551 et seq.

On September 28, 2010, Energy published a framework document for this rulemaking. 75 Fed. Reg. 59,657. In response to public comments, on March 30, 2011, Energy published a Request for Information (RFI) seeking public comments from interested parties regarding establishment of energy conservation standards for several types of definite and special purpose motors. 76 Fed. Reg. 17,577. On July 23, 2012, Energy published a preliminary analysis notice of availability. 77 Fed. Reg. 43,015. Comments on these items were addressed in the notice of proposed rulemaking Energy published on December 6, 2013. 78 Fed. Reg. 73,589. Energy received comments on the proposed rule, to which they responded in this final rule.

Paperwork Reduction Act (PRA), 44 U.S.C. §§ 3501-3520

Energy determined that this final rule contains an information collection requirement under the Act. This requirement has been approved by the Office of Management and Budget (OMB) under OMB control number 1910-1400. Energy estimates that the public reporting burden for the certification will average 20 hours per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information.

Statutory authorization for the rule

Energy promulgated this final rule under the authority of sections 6291 to 6317 of title 42, United States Code.

Executive Order Nos. 12,866 and 13,563 (Regulatory Planning and Review)

Energy determined that this final rule is significant under the Order, and it has been reviewed by OMB.

Executive Order No. 13,132 (Federalism)

On March 14, 2000, Energy published a statement of policy describing the intergovernmental consultation process it would follow in the development of these regulations. 65 Fed. Reg. 13,735. The Energy and Conservation Act of 1975 (EPCA) governs and prescribes federal preemption of state regulations as to energy conservation for the equipment that is the subject this final rule. States can petition Energy for exemption from such preemption to the extent, and based on criteria, set forth in EPCA. 42 U.S.C. § 6297. Energy determined that no further action is required by the Order.