

## ANALYSIS

### Item 58: Oregon Department of Energy Grid Resilience

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**Analyst:** April McDonald

**Request:** Approve the submission of a federal grant application to the U.S. Department of Energy (USDOE), National Energy Technology Laboratory in the amount of \$9,962,272 for the first year of a five-year program to prevent outages and enhance the resilience of the electric grid; allocate \$1,491,341 from the Emergency Fund to meet the grant's 15% match requirement; and authorize the establishment of one permanent, full-time position (0.38 FTE) for grant administration.

**Analysis:** The Oregon Department of Energy (ODOE) is requesting authorization to apply for a \$10 million federal funding opportunity through USDOE titled "Formula Grants to States and Tribes for Preventing Outages and Enhancing the Resilience of the Electric Grid." This grant seeks to improve the resilience of Oregon's electric grid and advance the state's capabilities to address not only current, but also future resilience needs. The opportunity represents the first year of a five-year formula grant with annual application cycles, funded through the Infrastructure Investment and Jobs Act (IIJA). ODOE anticipates the total federal funding over the five-year period will be approximately \$50 million if the formula grant remains largely unchanged.

If authorization to apply is granted and ODOE is awarded, the Department anticipates sub-granting at least 95% of the federal funds to eligible entities, such as electric utility providers, based on USDOE criteria. Each subrecipient will have an additional match requirement of either 100% or 33% based on the subrecipient's electricity sales. At least 40% of the benefits will serve qualifying disadvantaged communities as defined in USDOE Justice40 guidance.

When ODOE submitted its letter of request to the Emergency Board, the grant application was due by September 30, 2022. The following week, USDOE extended the deadline to March 31, 2023. The grant requires a 15% state match, which must be committed and available at the time of application. In ODOE's initial letter, the agency sought allocation of \$1.5 million from the Emergency Fund for this purpose. However, with the application deadline extended, allocation of the match is not necessary at this time.

ODOE also requested authorization to establish a permanent, full-time Fiscal Analyst 2 position (0.38 FTE) to help with the initial stages of program establishment. Although the application deadline has changed, the Department still indicates the urgent need for the position, as the grant proposal requires significant planning, program development and public engagement. The agency has examined various options and reports it does not have existing staff or resources to properly support this effort.

If a permanent position is granted, the 2023-25 roll-up cost would total \$214,082 General Fund. As an alternative, establishment of a limited duration position would meet the Department's immediate staffing needs this biennium and allow for more permanent funding discussions during the development of the 2023-25 budget.

In addition to the position establishment, ODOE seeks to hire a consultant for community outreach efforts required by the USDOE application. An allocation of \$200,000 from the Emergency Fund would cover the position and consultant costs, meeting the immediate needs of the agency's grant efforts. The USDOE has confirmed that all resources contributing to the development of the grant proposal, including staff time, can count as part of the state's 15% match requirement. ODOE has committed to examining expenditures and identifying eligible in-kind match from existing resources, including captured staff time from ODOE and partner agencies, to reduce future General Fund match requests for the five-year program.

**Recommendation:** The Legislative Fiscal Office recommends that the Emergency Board approve the submission of a federal grant application to the U.S. Department of Energy in the amount of \$9,962,272 to prevent outages and enhance the resilience of the electric grid, allocate \$200,000 General Fund from the Emergency Fund to the Oregon Department of Energy, and authorize the establishment of one limited duration position (0.38 FTE).

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Department of Energy  
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**Request:** Authorization to apply for a grant of \$9,962,272 for energy grid resilience from the United States Department of Energy (USDOE). Allocate \$1,494,341 from the State Emergency Fund for Infrastructure Investment and Jobs Act grant matching funds. Establish one permanent, full-time position (0.38 full-time equivalent) for grant program implementation.

**Recommendation:** Approve the request, with the following modifications:

- Authorization to apply for a grant of \$9,962,272 for energy grid resilience from the United States Department of Energy (USDOE). Allocate \$198,868 from the State Emergency Fund for Infrastructure Investment and Jobs Act grant matching funds. Establish one permanent, full-time position (0.38 FTE) for grant program implementation.

**Discussion:** Under the federal Infrastructure Investment and Jobs Act (IIJA), the state of Oregon is eligible to receive \$9,962,272 in formula-determined federal grants for energy grid resilience activities in the first year of a five-year period. If provided a federal award, the Oregon Department of Energy (ODOE) would sub grant at least 95 percent of the Federal Funds to energy suppliers, who are required to provide further matching funds based on the amount of energy provided.

To receive the energy grid resilience grant, ODOE is required to provide a state match at a rate of 15 percent, or \$1,494,341. ODOE has been unable to find resources within existing budget to cover this federal matching requirement and is requesting General Fund. ODOE plans to use a portion of the matching funds to hire one new permanent, full-time Fiscal Analyst 2 position to oversee the grant by providing technical assistance to subgrantees and the Department.

Since the original request, ODOE has identified shifts in requirements of the grant application; the application deadline is now March 31, 2023 and requires more robust grant application materials. ODOE has reported, and CFO recommends, the resources needed to complete the grant application include the establishment of the permanent full-time Fiscal Analyst 2 position (0.38 FTE), funding indirect costs, and contracting with a consultant for community outreach work required by the grant application. CFO is recommending the Fiscal Analyst 2 permanent full-time position to phase out in the 2027-29 biennium to provide support to the program throughout the duration of the grant period. All resources provided will contribute to the 15 percent state match required by the grant.

**Legal Reference:** Allocation of \$198,868 from the State Emergency Fund for the Oregon Department of Energy, Formula Grant Match for the 2021-23 biennium.



# Oregon

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**August 22, 2022**

President Peter Courtney, Co-Chair

Speaker Dan Rayfield, Co-Chair

Joint Emergency Board

900 Court Street NE

H-178 State Capitol

Salem, OR 97301

Dear Co-Chairs:

## **Nature of the Request**

The Oregon Department of Energy (ODOE) seeks authority to apply for “Formula Grants to State and Tribes for Preventing Outages and Enhancing the Resilience of the Electric Grid,” a federal formula grant offered by the United States Department of Energy (USDOE) under the Infrastructure Investment and Jobs Act (IIJA) Section 40101(d). The grant application is due September 30, 2022. The grant requires a 15% state match. Oregon’s federal funding allocation for the first year of the program is \$9,962,272. The formula grant is anticipated to be offered for the next five years, with annual application cycles. ODOE anticipates total federal funding over the 5-year period will be approximately \$50 million if the federal formula remains largely unchanged. The current Emergency Board request is only intended to address the first year of the grant.

To support the year 1 application, ODOE requests allocation of General Fund totaling \$1,494,341 to serve as state match during the first year, representing 15% of the formula award. ODOE also requests position authority to hire an additional 0.38 FTE fulltime permanent position to help with the initial stages of standing up the new program. Funding for this position would come out of the requested allocation for match.

Once awarded, ODOE anticipates sub granting at least 95% of the federal formula funds to eligible entities based on the criteria contained in the state application to USDOE. Each subrecipient will be required to provide additional match of either 100% or 33.33% of the federal funds based on the subrecipient’s electricity sales as required under the federal program. We also anticipate at least 40% of the benefits of the federal funds will serve qualifying disadvantaged communities as defined in USDOE Justice40 guidance.

## **Agency Action**

The Oregon Department of Energy has prepared for the Formula Grants to State and Tribes for Preventing Outages and Enhancing the Resilience of the Electric Grid funding opportunity over the past three months. Preparation included reviewing draft application materials and coordinating a response to the USDOE’s request for information in June. Efforts included outreach to electric utilities and the

Oregon Public Utility Commission (OPUC) to inform joint comments to USDOE issued by ODOE and OPUC.

Since the final Administration and Legal Requirements Documents were released on July 6<sup>th</sup>, ODOE has been working closely with OPUC to structure our application to USDOE. We have met with investor-owned and consumer-owned electric utilities to solicit feedback on ODOE's approach, particularly during the first year of the program. ODOE has also sent a letter to each of the nine federally recognized tribes to learn more about their interests and offer to coordinate and provide support for their efforts in this area. ODOE has also reached out to other stakeholders and agencies, including the Oregon Department of Forestry and the Oregon Department of Emergency Management, to inform our application.

ODOE will hold a public hearing scheduled on August 31, 2022, where elements of ODOE's proposed application will be shared for public comment, which is a requirement of the USDOE application. The state application is due to USDOE no later than September 30, 2022.

### **Background on Federal Grant Information**

- The source of the grant is the United States Department of Energy, Formula Grants to State and Tribes for Preventing Outages and Enhancing the Resilience of the Electric Grid, operated by USDOE's Grid Deployment Office under the Infrastructure Investment and Jobs Act.
- The amount of the grant being requested from USDOE is \$9,962,272 in formula funds during year 1 of the program. ODOE will return to a future Emergency Board or Ways and Means committee to request additional Federal Funds expenditure limitation after the funds are awarded.
- The purpose of the grant is to prevent outages and enhance the resilience of the electric grid, which will be done primarily through subawards to eligible entities.
- The grant application deadline is September 30, 2022.
- The State is required to provide a 15% cost match of the federal award, totaling \$1,494,341 during year one of the program. Subrecipients of pass-through awards will have additional match requirements at a rate of either 100% or 33.33% based on the subrecipient's electricity sales as required in the Infrastructure Investment and Jobs Act.
- ODOE requests state General Fund match of \$1,494,341 for year 1 activities. ODOE is currently working with stakeholders to determine how the program will be structured and how sub award projects will be selected. Depending on the ultimate structure of the program, state matching funding may be used to support additional positions for ODOE to administer the program, professional services to support program administration, additional support for projects receiving federal funds, as well as capacity building support for disadvantaged communities.
- The match, if provided through General Fund, will increase ODOE's budgeted activities. Additional performance measures will be created for the agency, based on the criteria and objectives established as part of the federal award agreement.
- The grant is anticipated to increase ODOE's current FTE level. At this time, we are requesting authority for a 0.38 fulltime Fiscal Analyst 2 (FA2) position, within the General Fund allocation, to be available following approval. ODOE will return to a future Emergency Board or the Ways

and Means committee for additional staffing, using the allocated General Fund, after we determine the structure and requirements needed to administer the award.

- The grant directly supports the mission of ODOE which is, in part, to help Oregonians make informed decisions and maintain a resilient and affordable energy system. The federal funding opportunity will directly support investments from federal, state, and private sources in creating in a more resilient electric grid.

### **Action Requested**

The Oregon Department of Energy requests authority to apply for the Formula Grants to State and Tribes for Preventing Outages and Enhancing the Resilience of the Electric Grid federal funding opportunity. ODOE additionally requests an allocation of \$1,494,341 in General Fund to fulfill the 15% state match requirement. ODOE requests position authority for 0.38 FTE for a fulltime permanent Fiscal Analyst 2 position to assist with program implementation. Once the federal award is made, ODOE will return to seek Federal Funds expenditure limitation and additional position authority, if needed. ODOE may return as needed for additional requests related to future years of the grant program, which requires an annual application.

### **Legislation Affected**

N/A



Janine Benner  
Director

cc: Sione Filimoehala, CFO  
April McDonald, LFO  
Doug Wilson, LFO

Link to the solicitation: <https://netl.doe.gov/bilhub/grid-resilience/formula-grants>