

ANALYSIS

Department of Energy Grid Resilience Year 2

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 \$9,945,032 for the second year of a five-year program to prevent outages and enhance the resilience of the electric grid; appropriate \$2,786,096 General Fund to meet the grant's match requirement; and authorize the establishment of one permanent, full-time position (1.00 FTE) for grant administration.

Analysis: The Oregon Department of Energy (ODOE) is requesting authorization to apply for the second annual allocation of a five-year federal formula grant 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. This opportunity, funded through the Infrastructure Investment and Jobs Act (IIJA), requires annual application. ODOE anticipates the total federal funding over the five-year period will be approximately \$50 million if the formula grant remains largely unchanged.

The grant application is due on March 31, 2023. ODOE previously requested and received approval to apply for the first allocation of the Grid Resilience grant, also due on March 31, from the September 2022 Emergency Board, along with \$200,000 General Fund to hire a limited duration position for grant administration. Oregon's federal funding allocation for the first year is \$9,962,272 and the second year amounts to \$9,945,032. The grant requires a 15% state match, totaling \$2,986,096 for both years. The USDOE has indicated that resources contributing to the planning and program development may be included in the state's 15% cost share. ODOE requests \$2,786,096 General Fund for the remainder of the match requirement and 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.

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.

The Department has experienced challenges hiring a short-term limited duration position. ODOE seeks to make the grant administrator a permanent full-time position starting in the 2023-25 biennium, and supporting the program for the period of grant performance, which will likely last at least three biennia. Given the timing of the requests, the General Fund appropriation and the position establishment can be considered during the Department's 2023-25 budget development.

Legislative Fiscal Office Recommendation: The Legislative Fiscal Office recommends approval of the submission of the grant application.

Department of Energy Filimoehala

Request: Authorization to apply for a grant of \$9,945,032 for energy grid resilience from the United States Department of Energy (USDOE), appropriate \$2,786,096 General Fund for energy grid resilience grant matching funds, and establish one permanent, full-time position to assist with implementation.

Recommendation: Approve the request with the following modification: Recommend approval of the grant application.

Discussion: Under the federal Infrastructure Investment and Jobs Act (IIJA), the state of Oregon is eligible to receive \$9,945,032 in the second phase of formula-determined federal grants for energy grid resilience activities. 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. Subgrantees can use grant funds for activities that support existing hardening efforts, reduce the risk of power lines causing a wildfire, or reduce the likelihood and consequences of extreme weather events, wildfires, and natural disasters on the grid's ability to operate.

To receive the energy grid resilience grant, ODOE is required to provide a state match at a rate of 15 percent, or \$1,491,755. Sub-grantees will be required to provide an additional match, depending on the size of the sub-grantee, ranging from a 100 percent match to a 33 percent match. In September of 2022, the agency received \$200,000 for grant matching funds to support the first portion of the grant. In total, the agency must provide a match of \$2,986,096 to match both the requirements of the currently requested application as well as the outstanding matching requirements. The agency has requested General Fund to support match requirements as well as position authority to support the work of the grant. The grant application is due March 31, 2023, and the grant is the second of five in a five-year grant program.



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The Honorable Senator Elizabeth Steiner, Co-Chair
The Honorable Representative Tawna Sanchez, Co-Chair
Joint Committee on Ways and Means
900 Court Street NE
H-178 State Capitol
Salem, OR 97301-4048

Dear Co-Chairs:

Nature of the Request

The Oregon Department of Energy (ODOE) seeks authority to apply for the second allocation of the “Formula Grants to State and Tribes for Preventing Outages and Enhancing the Resilience of the Electric Grid,” (Grid Resilience grant) a federal formula grant offered by the United States Department of Energy (USDOE) under the Infrastructure Investment and Jobs Act (IIJA) Section 40101(d). This grant program will provide funds to improve the resilience and reliability of the electric grid in Oregon by supporting physical infrastructure improvements determined to generate the greatest community benefits for Oregonians.

The grant application is due on March 31, 2023. ODOE previously requested and received approval to apply for the first allocation of the Grid Resilience grant, also due on March 31, from the September 2022 Emergency Board. Oregon’s share of federal funding for the first and second allocation for the program is \$9,962,272 and \$9,945,032, respectively. The grant requires a 15% state match. The state match for the first and second grant allocations will total \$2,986,096. The source of the match with documented commitment to provide the match, or a plan to obtain the match, is required as part of the application for each allocation of grant funds. Subrecipients of these funds will also be required to provide match at a rate of either 100% or 33.33% based on the volume of their previous electricity sales. We anticipate that any investor-owned utilities awarded under this grant will be required to match at the 100% rate while consumer-owned utilities will be required to match at the lower rate.

The formula grant is anticipated to require annual applications for allocations over a five-year period. ODOE anticipates total federal allocations will be approximately \$50 million if the federal formula remains largely unchanged. The current request is only to apply for the second year of the grant, as the Emergency Board approved the application for the first allocation last fall.

The September Emergency Board allocated \$200,000 of matching funds provide resources to help ODOE prepare for the Grid Resilience application. This included 0.38 full-time limited duration Fiscal Analyst 2 position to help with application planning and program development, along with additional funds to hire a consultant to facilitate community outreach required by the USDOE application. The USDOE has indicated that resources contributing to the planning and program development may be included in the state's 15% cost share. ODOE requests a \$2,786,096 General Fund appropriation for the remainder of matching funds required for the first and second grant allocations.

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. 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 been preparing for the *Formula Grants to State and Tribes for Preventing Outages and Enhancing the Resilience of the Electric Grid* funding opportunity since the summer of 2022. USDOE released the original Administration and Legal Requirements Documents on July 6, 2022, with an original submission date of September 30, 2022. However, USDOE amended their process, guidance, and the application requirements several times. With the most recent amendment, applications for the first two allocations of funds are now due on March 31, 2023. ODOE has worked closely with the Oregon Public Utility Commission (OPUC) and consulted with the Office of Emergency Management and the Oregon Department of Forestry to inform our application efforts. In June 2022, ODOE worked with OPUC on a response to the USDOE's request for information on the grant. We have also sent letters to Oregon's nine federally recognized Tribes to raise awareness of the Tribal allocations and support efforts to coordinate approaches between the state and Tribes. ODOE has also sought feedback from electric utilities in a variety of forums, including a public hearing and a formal Request for Information to inform our program design and grant making process.

With the \$200,000 provided by the Emergency Board in September 2022, ODOE has been working to bring on a limited duration Fiscal Analyst 2. ODOE has experienced challenges recruiting for a short-term limited duration position. ODOE also conducted a request for proposal for a consultant to assist with outreach, program design, and development. The RFP process has closed, and evaluations are being conducted to secure this support. ODOE has identified approximately \$29,000 in staff time that can be used as pre-award match funds.

ODOE has a continued need for match funding into the future to meet the requirements of this grant opportunity. Under this program, ODOE will need approximately \$1.5 million for each of the 5 allocations. Match funds will be used to develop and implement the grant program; accept, review, and approve applications; issue subgrantee agreements; offer training and technical support to grantees; ensure compliance with federal requirements; conduct public outreach to maximize participation and ensure Justice40 targets; and submit federal reporting

on a timely and accurate basis. Once these responsibilities are fulfilled, ODOE may be able to offer excess match funds in support of grantee projects.

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 \$9,945,032 in formula funds for the second allocation 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 to improve physical infrastructure.
- The grant application deadline is March 31, 2022.
- The State is required to provide a 15% cost match of the federal award, which will be \$1,494,341 for the first allocation of the program funds and \$1,491,755 for the second allocation of program funds. ODOE anticipates the funds will be awarded in July 2023. Subrecipients of the awards will have additional match requirements at a rate of either 100% or 33.33% based on their electricity sales as required in the Infrastructure Investment and Jobs Act.
- ODOE requests an additional General Fund appropriation of \$2,786,096 in addition to the \$200,000 in General Fund provided during the September 2022 Emergency Board. 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 to access Grid Resilience funding.
- The grant is anticipated to increase ODOE's current FTE level. At this time, we are requesting authority to convert the limited duration full-time Fiscal Analyst 2 position approved during Emergency Board to a permanent Fiscal Analyst 2 position, within the General Fund allocation, in the 2023-2025 biennium. 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 second allocation of *Formula Grants to State and Tribes for Preventing Outages and Enhancing the Resilience of the Electric Grid* federal funding opportunity. ODOE additionally requests a General Fund appropriation of \$2,786,096 and position authority for 1 FTE for a full-time 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.

Legislation Affected

SB 5016 (2023 Session)



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>