

ANALYSIS

Department of Energy Grid Resilience

Analyst: Wendy Gibson

Request: Approve the submission of a federal grant application to the U.S. Department of Energy in the amount of \$10,991,729 for the third Grid Resilience grant program allocation.

Analysis: The Grid Resilience State and Tribal Formula Grants program is a five-year formula grant administered by the U.S. Department of Energy (USDOE) to prevent power outages and enhance the resilience of the electric grid. The Oregon Department of Energy (ODOE) is anticipating a \$50 million allocation from the grant program, distributed over five annual allocations. ODOE received legislative approval to apply for the first year of the Grid Resilience grant in September 2022 and approval to apply for the second year in February 2023. On June 30, 2023, USDOE awarded \$19.9 million to ODOE for the program's first two years.

On January 18, 2023, USDOE opened the application period for the third grant allotment. ODOE anticipates the third allocation to be \$11 million. To apply for the funding, the Department must submit an amendment to the original application by April 17, 2024.

Under the terms of the grant, ODOE must sub-award 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 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. ODOE anticipates starting the sub-granting process in the spring of 2024 for the first two grant allocations. Each sub-grant will have five years to complete the approved grid resilience project.

HB 5016 (2023) appropriated \$2.8 million General Fund to ODOE to satisfy the grant's requirement for a 15% state match commitment for allocations one and two at the time of application. The third allocation will require an additional General Fund increase of \$1.6 million. USDOE has not announced the distribution timing of the third allocation. When awarded, ODOE will return to the Legislature to request General Fund to meet the match requirement and additional Federal Funds expenditure limitation to expend the grant.

Recommendation: The Legislative Fiscal Office recommends that the Joint Committee on Ways and Means approve the request.

Request: Authorization to apply for a grant of \$10,991,729 from the U.S. Department of Energy Formula Grants to State and Tribes for Preventing Outages and Enhancing the Resilience of the Electric Grid.

Recommendation: Approve the request.

Discussion: Under the federal Infrastructure Investment and Jobs Act, the state of Oregon is eligible to receive \$10,991,729 in the third phase of formula-determined federal grants for energy grid resilience activities. Grant funding would be provided through the U.S. Department of Energy (USDOE), which requires at least 40 percent of the benefits of the Federal Funds to serve qualifying disadvantaged communities as defined in the USDOE Justice40 guidance. 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 additional matching funds based on the amount of energy provided. Subgrantees are able to use grant funds for activities supporting existing hardening efforts, reducing the risk of power lines causing a wildfire or reducing 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. ODOE is developing a request for matching fund that will be brought forward in a future budget process but does not anticipate requiring matching funds within the 2023-25 biennium.

The grant application is due to USDOE in the Spring of 2024. While all details of the grant have not yet been published by the USDOE, applications will be due within 90 days of the publication of the updated Administrative and Legal Requirements Document. Subrecipients of the grant would be required to provide an additional match of either 100 percent or 33 percent, determined by size. ODOE does not anticipate the need for additional Federal Funds expenditure limitation in the 2023-25 biennium and will build any additional need into future budget processes.



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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 third 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.

USDOE has issued a Notice of Intent for the third allocation of the Grid Resilience funding, which requires an amended application. The amended Administrative and Legal Requirements Document (ALRD) has not yet been released and the exact due date is unknown at this time, but the amended application will be due 90 days after the ALRD is released which is expected to be in late January. ODOE previously requested and received approval to apply for the first and second allocations of the Grid Resilience grant from the legislature. Oregon's share of federal funding for the first and second allocation for the program was \$19,907,304. The third allocation for the program is \$10,991,729. The grant requires a 15% state match. The state match for the first and second grant allocations totaled \$2,986,096 and was included as General Fund in ODOE's 23-25 budget. At this time, ODOE does not anticipate spending the entire match amount from the 23-25 budget during the 2023-2025 biennium. The state match required for the third allocation will be \$1,648,760. 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. ODOE anticipates needing additional General Fund support for the remaining match requirements and will work with LFO and CFO on how best to incorporate this into our budget. 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. Projects will have a minimum of four years to complete projects.

The formula grant requires an updated annual application 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 third year of the grant.

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. 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. We 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 two public hearings, a formal Request for Information, and two stakeholder workshops to inform our program design and grant making process. ODOE's application for the first and second allocations was accepted and awarded by USDOE on June 30, 2023.

ODOE engaged a contractor to assist with this stakeholder outreach and subgrant criteria development. In the months since receiving the award, ODOE hired a Program Analyst dedicated to Grid Resilience and has been developing a subgrant opportunity announcement, anticipated to be open to eligible applicants in Spring 2024.

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 remaining 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 \$10,991,729 in formula funds for the third 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.
- USDOE issued a Notice of Intent for the third allocation of funding, but an amended application deadline is unknown at this time.
- The State is required to provide a 15% cost match of the federal award, which will be \$1,648,760 for the third allocation of program funds. ODOE will return with a request for matching funds. ODOE anticipates the federal funds will be awarded in Spring 2024. 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.

Action Requested

The Oregon Department of Energy requests authority to apply for the third allocation of *Formula Grants to State and Tribes for Preventing Outages and Enhancing the Resilience of the Electric Grid* federal funding opportunity. 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

N/A



Janine Benner
Director

cc: Sione Filimoehala, CFO
Wendy Gibson, LFO

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