

# Oregon Department of Energy Draft Proposed Program Narrative for IIJA Grid Resilience March 2023 Draft

## **Bipartisan Infrastructure Law - Section 40101(d)**

Preventing Outages and Enhancing the Resilience of the Electric Grid

### **1. Objectives and Metrics:**

Oregon electric utilities operate in unique and diverse geographic areas that are subject to a variety of natural hazards that result in damage to distribution systems and routine disruptions to energy delivery. In November 2022, ODOE issued a Request for Information (RFI) to Oregon utilities to rank risks associated with natural hazards including wildfire, earthquake / tsunami, snow / ice storms, landslides, floods, and windstorms. While wildfire has garnered national attention in recent years and affects all Oregonians, some Oregon utilities identified windstorms, snow and ice storms, floods, and landslides as higher risks. The results of the RFI demonstrate that Oregon is a diverse state with many different climate zones, environments, and natural hazards. Utility service territories along the coast may have different hazards from utilities in forested mountain communities or high desert communities in the eastern part of the state. Accordingly, those utilities will prioritize projects that address the unique hazards affecting electricity distribution within their service territories.

For the first year of implementation, ODOE will focus on projects that support natural hazard risk mitigation with priority funding for projects that provide community benefits in disadvantaged communities. ODOE will use the following provisional objectives and metrics to guide the program during its first year of implementation with the first two allocations of funding:

**Objective 1:** Mitigate natural hazard risks to utility distribution systems by supporting grid infrastructure improvement projects.

#### **Metrics:**

- Frequency of electricity service disruptions associated with natural hazards.
- Duration of electricity service disruptions associated with natural hazards.
- Number of utility customers affected by service disruptions associated with natural hazards.

**Objective 2:** Deliver benefits to disadvantaged communities in Oregon and support the goals established in the Justice 40 initiative by supporting grid infrastructure improvement projects.

#### **Metrics:**

- Number of service disruptions in disadvantaged communities.
- Duration of electricity service disruptions to disadvantaged communities.
- Number of utility customers of disadvantaged communities affected by electricity service disruptions.



**Objective 3:** Maximize community benefits that complement grid resilience projects. Benefits may include any item, action, or plan that brings value to a community. Examples include economic development, workforce development, utility operational improvements, environmental benefits, pollution reduction, or any other services that bring value to an Oregon community.

**Metrics:**

- Number of awards demonstrating coordination with county, municipal, or other public bodies with overlapping jurisdiction and interests associated with proposed infrastructure improvement projects.
- Number of awards demonstrating collaboration with stakeholders representing local community interests.
- Number of awards demonstrating coordination with communications, broadband, water, sewer, or any other community service provider that may be able to reduce costs or improve service by coordinating upgrades with proposed projects.
- Number of workers employed in Davis-Bacon covered position on awarded projects.
- Number of awards with a workforce development component.
- Estimated hours of reduced runtime of diesel or other fossil fuel generators.

**Objective 4:** Develop refined objectives, metrics, and criteria for future years of the program to ensure program funds address the most pressing grid resilience investments, support disadvantaged communities across Oregon, and recognize any new objectives developed during early program implementation.

**Metrics:**

- Report on lessons learned from first two allocations of program funding, summarize and consider those lessons in next application cycle.

**2. Criteria:**

Criteria for Awards During the First Two Years of the Program:

ODOE will seek to prioritize investments in projects located in areas of the state routinely affected by natural hazards, as well as projects that benefit an area identified as a disadvantaged community or federally recognized tribal community. Specific selection criteria and a scoring matrix will be developed as part of each funding opportunity announcement. Additional details, including applicable definitions and potential minimum requirements of all applicants are included below in the “Methods” section of this program narrative.

Eligible measures will include:

- (a) Weatherization technologies and equipment;
- (b) Fire-resistant technologies and fire prevention systems;
- (c) Monitoring and control technologies;
- (d) Undergrounding of electrical equipment;

- (e) Utility pole management;
- (f) Relocation of power lines or the reconductoring of power lines with low-sag, advanced conductors;
- (g) Vegetation and fuel-load management;
- (h) The use or construction of distribution energy resources for enhancing system adaptive capacity during disruptive events, including:
  - a. Microgrids, and
  - b. Battery-storage subcomponents;
- (i) Adaptive protection technologies;
- (j) Advanced modeling technologies;
- (k) Hardening power lines, facilities, substations, and other systems;
- (l) Replacement of old overhead conductors and underground cables; and
- (m) Training, recruitment, retention, and reskilling of skilled and properly credentialed workers in order to perform work required for the resilience measures listed in (a)-(l).

Prohibited uses of funds include construction of a new electric generating facility or a large-scale battery-storage facility that is not used for enhancing system adaptive capacity during disruptive events, or cybersecurity.

Per federal guidance, renewable energy generation through solar panels is considered construction of a new electric generating facility and therefore is not an allowable expense, even if proposed as a component of a microgrid.

Applicants must identify the measures they propose to undertake, including any combination of measures, as part of their application.

#### Percentage Made Available to Small Utilities:

During the first allocation of program funding, ODOE will restrict eligible entities to only electric utilities that are distribution providers. Additionally, ODOE will require that a minimum of 30% of the funds available for subgrants be made available to eligible entities that sell not more than 4,000,000 megawatt hours of electricity per year. Sales figures are based on total utility sales to all sectors reported in the applicant's most recent listing in the Oregon Utility Statistics Book, which aligns with EIA Form 861, as of the date of application announcement.

Based on currently available information, ODOE anticipates the above method, if implemented under current data, would result in the following determinations, consistent with the match requirements in Section 40401(d):

1. All investor-owned utilities (including Portland General Electric, PacifiCorp, and Idaho Power) and Umatilla Electric Cooperative will be required to provide 100% match for any award, if selected.
2. All other electric distribution utilities in the state will be required to provide 1/3 match for any award, if selected.

This 30% designation for small utilities exceeds the minimum set aside required by 40101(d). Based on the total utility sales to all sectors reported in EIA Form 861, ODOE's calculations find that 26%

of all customers are served by small utilities under this definition. This would represent the minimum set-aside required by 40101(d). However, these small utilities represent 27% of annual megawatt-hour sales. Adopting a 30% set-aside ensures the minimum requirements of the program are met and will further support small utilities, many of which serve large rural areas in lower income parts of the state, and many of which serve communities that were disproportionately impacted by natural hazards in recent years.

#### Planning for Future Applications to US DOE:

ODOE will continue to conduct outreach to disadvantaged communities and other program stakeholders during the first year of program implementation. This will enable community members, their representatives, and community-based organizations to further participate in the design of the grid resilience program in alignment with the goals of the Justice40 initiative. ODOE intends that at least 40% of the benefits of these funds will flow to disadvantaged communities over the life of the program. ODOE will practice continuous improvements in future funding cycles to ensure that benefits are delivered to disadvantaged communities.

ODOE will coordinate with representatives from disadvantaged communities; Tribes; environmental justice communities; investor-owned utilities; consumer-owned utilities; consumer advocates; the Public Utility Commission; the Department of Emergency Management; the interagency Hazard Mitigation Team; and the Governor's Office to identify lessons learned from program implementation in order to propose recommendations related to objectives and metrics for future years of the program.

### **3. Methods:**

#### Methods of Award:

ODOE will develop a competitive grant program for use to distribute the two initial allocations of program funding. Grant opportunities will be posted on the ODOE webpage and will include minimum program requirements, a Q&A period, an application form, a competitive scoring matrix, and a timeline including application deadlines and anticipated dates for award notifications. Notification of the grant opportunities will be sent to all Oregon distribution utilities. Grant opportunities will remain open for a minimum of 60 days.

At the end of each application cycle ODOE will complete a project eligibility review and then move all eligible projects into a competitive review. Projects will be scored according to the scoring matrix published with the grant announcement. An applicant may only submit one single application as a primary applicant during each funding round, but may be a subrecipient or contractor on numerous applications under a different primary applicant.

ODOE may involve external reviewers during the competitive review, following at a minimum state procurement law and the [US DOE's Conflict of Interest Interim Policy](#). Following the competitive review, ODOE will issue one of the following notices to each applicant:

1. **Notice of Intent to Award** – This notice will be sent to applicants that are selected in the competitive review process. Final approval will be subject to additional approvals from ODOE and the US DOE, based on specific project documentation and review.
2. **Notice of Insufficient Application** – This notice will be sent to applicants determined not eligible for funding, along with a description of why the applicant and/or project was determined ineligible or incomplete.
3. **Notice of Unsuccessful Application** – This notice will be provided to any applicant who submits an eligible application but is not selected in the competitive review. Unsuccessful applicants will be invited to revise their applications and apply for future funding opportunities.

### Minimum Application Content

All applications must be complete at time of final submission; incomplete applications will be rejected. ODOE reserves the right to add additional requirements as part of the application process but at a minimum all applications must include:

- Applicant contact information.
- A detailed description of the measure(s) the applicant intends to undertake as part of the project.
- The location of the proposed project.
- The number of customers served by the project.
- Description of how the project meets the objectives of the program.
- Description of how the investment will improve resilience in the communities the utility serves including baseline reliability and outage data.
- Description of how the project will benefit environmental justice communities, disadvantaged communities or Tribes, if applicable.
- Description of community engagement activities planned and or conducted for this project, prior to application submission, including coordination with local city or county governments.
- Attestation the applicant is not barred from receiving federal funds.
- Certification the applicant has reviewed all application materials and is prepared to meet all requirements of the program, including, but not limited to: National Environmental Policy Act; Buy American provisions, Davis-Bacon Act requirements, and reporting requirements identified by ODOE.
- Certification the project planning is at a sufficient stage of progress, based on requirements determined by ODOE, to facilitate the completion of US DOE's Environmental Questionnaire, if project is selected.
- Documentation that applicant will be able to provide match funds to support the project, including identification of the source of matching funds.
- Certification the applicant intends to initiate the project within required timelines. ODOE anticipates this to be 24 months of award execution and the anticipated completion date of the project will not exceed four years from date of award execution; however, these timelines may be subject to adjustment at time of the opportunity announcement.

- A project budget and budget narrative aligned with the SF-424A, following guidance from ODOE.

#### Application Funding Rounds and Maximum Awards:

Funding will be made available to applicants in discrete funding rounds, until all available funds for subrecipients are committed to applicants. Maximum awards will vary based on whether the applicant is a large or small utility, as described in this project narrative. The maximum award a large utility may request in a funding round cannot exceed the percentage of funds available in that round proportionate to that utility's share of the state's electricity sales among all large utilities, as calculated by ODOE. The maximum award a small utility may apply for in a funding round shall not exceed \$600,000.

#### Funding Priority

The opportunity announcements will be made available for natural hazard mitigation projects that demonstrate the greatest community benefits. Specific scoring criteria will be developed with stakeholder support by September 30, 2023. Priority funding may be directed to projects that are:

- (a) In an area recently directly affected or vulnerable to a natural hazard, based on materials provided by the applicant.
- (b) Directly serving a public facility that supports disaster relief efforts.

All applications must propose activities that will directly mitigate the risk from natural hazards. Projects may be prioritized above comparable projects if they benefit disadvantaged communities or Tribal communities. ODOE may also prioritize geographical diversity in project selection.

If funding remains available and uncommitted following a funding opportunity announcement, ODOE may elect to remove the minimum set asides for large and small utilities, provided that doing so does not hinder Oregon's ability to comply with the overall federal requirement that at least 26% of funds are made available to small utilities.

#### Methods to Track and Publish Metrics

ODOE will provide cumulative and project specific information about the Grid Resilience investments on a program specific website hosted by the agency. The information will be updated no less frequently than annually and will include a summary of each project and the associated metrics achieved to date.

#### **4. Funding Distribution:**

ODOE anticipates establishing two categories of budget carveouts to ensure the program meets the goals established for disadvantaged communities and small utilities. The disadvantaged community carveout will be 40 percent of total funds awarded according to the goals established in the Justice

40 initiative. The small utility carveout will be 30% of total funds awarded according to the small utility designation described in this narrative. Individual projects completed by small utilities that also serve disadvantaged communities will be counted toward both carveouts.

ODOE has a legislative request pending to provide the state match requirement with the use of state general funds requested specifically to support the first two allocations of the program. State match funds may be used to support additional positions at 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. If state general funds are not committed for this purpose by September 30, 2023, ODOE would seek additional match funding from subrecipients to meet the state match.

The subrecipients selected for awards under this program will be limited to electric distribution utilities during the first two years. ODOE will ensure that a minimum of 26% of the funds are made available to small utilities who sell less than 4,000,000 megawatt hours of electricity annually, as defined by ODOE. The subrecipients will be required to match at a rate of either 100% or 1/3 based on their average annual electricity sales, as defined above in this application by ODOE.

ODOE is currently working to identify existing in-kind resources that may support the program in future years and exploring efforts to align multiple state-funded programs related to enhancing state and community resilience.

## 5. Equity Approach:

### Oregon's Equity Approach

Oregon has established guidelines to help ensure equity is an integral element of state agency operations, and to ensure equity considerations are included in development of new programs. In 2021, the office of then-Governor Kate Brown published the State of Oregon Diversity, Equity, and Inclusion Action Plan, directing state agencies to consider equity in every stage of program development and operations. ODOE will strive to follow best practices to ensure equity stakeholders inform program development and administration with a long-term focus on further refining its approach in this area over future years, and a goal of ensuring alignment with the Justice40 initiative.

In the first year of program implementation subaward opportunity announcements, ODOE will use the [Climate and Economic Justice Screening Tool](#), released by the Council on Environmental Quality (CEQ), to help qualify projects for inclusion in the Justice 40 initiative goals. ODOE will use the first year of program operations to further evaluate the best way to ensure all local community, state and federal environmental justice goals are achieved. ODOE will work with communities to identify financial and technical assistance needs to ensure projects can be developed that directly benefit disadvantaged and Tribal communities.

In the application stage, ODOE sent formal letters to the Chairs of each of Oregon's nine federally recognized Tribes offering to coordinate applications or provide any technical assistance the state may be able to offer to Tribes considering an application under this program. ODOE intends to extend this offer of support to the federally recognized Tribes throughout the life of the program.

ODOE seeks to understand how projects can support efforts related to employment, women and minority-owned firms, disadvantaged communities, and Tribal communities. The information collected from the initial program year will inform future activities. This will be accomplished in part through convening an advisory committee to review the approach during the first year of program implementation, consider lessons learned, and propose objectives, criteria, and metrics for future years to support an all-hazards approach that centers disadvantaged communities and ensures meaningful engagement by utility applicants with residents, workers, and leaders in these communities in development of future project applications.

#### Quality Jobs:

In support of quality jobs, ODOE will ensure that the requirements of the Davis-Bacon Act are fulfilled. In addition to Davis-Bacon reporting, additional metrics related to the diversity of the workforce or certification by Oregon's Office for Business Inclusion and Diversity (COBID) may be identified for reporting purposes to inform future year activities.

ODOE recognizes that workforce is a significant challenge for utilities and will work to identify opportunities in future years of the program to support training, recruitment, retention, and reskilling of skilled and properly credentialed workers to perform work required for grid resilience.

#### Community Benefits:

Many Oregon utilities have significant backlogs of natural hazard mitigation projects. Respondents to the RFI identified dozens of projects that are in various stages of planning and engineering but may lack the funding necessary to move forward. Bringing federal funds to these projects may reduce the burden on rate payers and is likely to benefit rural customers served by utilities that may have postponed projects rather than impose significant rate hikes.

ODOE will also work with utility applicants to ensure infrastructure improvement projects are coordinated with local governments and other community groups. This will enable local jurisdictions to consider additional community benefits that may be possible because of the proposed utility upgrades. One example provided to ODOE was an opportunity to expand high speed internet to a community by utilizing a trench proposed for a utility distribution line undergrounding project.

#### Diversity, Equity, Inclusion, and Accessibility:

ODOE will seek information from applicants on benefits to disadvantaged communities, workforce diversity, and community engagement to inform the agency's approach to future funding years, enabling ODOE to go beyond the current measures in future years.

In addition to funding projects in the first year of implementation, ODOE seeks to identify and engage with disadvantaged communities to identify their interests in resilience investments and needs for technical assistance. Future objectives and metrics may more fully consider plans for



diversifying the workforce, supporting COVID-certified firms, considering the needs and desires of community members, and representation from community leadership.

## 6. Technical Assistance and Administration:

ODOE will use up to 5% of the available federal funding to support administration, technical assistance, and public information sharing regarding the investments. We anticipate that state match funds will also support some program administration. ODOE does request approval for pre-award costs under this program incurred after May 3, 2022.

This funding will support ODOE personnel to administer the contractual and financial aspects of the program, meet all reporting requirements, and select and award subrecipients following the criteria and methods provided within this application.

ODOE may also procure contracted support to assist with planning, meeting facilitation, outreach, and other activities supportive of the state's plan to refine the program in future years. ODOE will carefully consider how these activities can further the state's commitment to serving historically underserved communities in alignment with the Justice40 initiative.

## 7. Public Notice and Hearing:

ODOE conducted stakeholder engagement with the state's investor-owned utilities and consumer-owned utilities, several community-based organizations, and other state agencies to solicit informal feedback on straw proposals, prior to the development of the draft presented at the public hearing. We also conducted a Request for Information (RFI) to increase our understanding of potential projects and priorities from utilities.

ODOE conducted an initial public hearing on August 31, 2022 and provided the public notice two weeks prior to the public hearing, using an email notification sent to 5,459 individual email addresses. The notice was also posted on ODOE's public facing website. The materials presented were published on ODOE's website one week in advance of the public hearing.

ODOE conducted a second public hearing, based on the revised narrative for the first two years of funding on March 15, 2023 and provided the public notice two weeks prior to the public hearing, using an email notification. The notice was also posted on ODOE's public facing website. The materials presented were published on ODOE's website in advance of the public hearing.

(Additional information to be developed after the public hearing)

**Note:** DOE anticipates that the Program Narrative will be between 5 and 15 pages, depending upon the grant amount and complexity of resilience activities. DOE may reject applications and require revisions, if it determines that the program narrative lacks sufficient detail or does not comply with stated requirements. Save the information in a single file named (APPLICANTNAMEPROGRAM NARRATIVE.pdf).