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November 4, 2022

**VIA ELECTRONIC FILING**

Ms. A. Shonta Dunston  
Chief Clerk  
North Carolina Utilities Commission  
4325 Mail Service Center  
Raleigh, NC 27699-4300

**RE: Duke Energy Carolinas, LLC and Duke Energy Progress, LLC's  
Informational Update Regarding Potential Partnerships under  
Section 40103(b) of the IIJA  
Docket No. M-100, Sub 164**

Dear Ms. Dunston:

In its Order Allowing Comments Regarding Federal Funding for Utility Service in North Carolina issued on February 1, 2022 ("Order"), the North Carolina Utilities Commission ("Commission") found good cause to allow the parties to file written comments on the identification of the entities, public or private, with which North Carolina public utilities should coordinate to access available federal funds under the Infrastructure Investment and Jobs Act ("IIJA"). The Order identified certain programs created under the IIJA that may make federal funds available to public utilities and also acknowledged that IIJA Section 40103(b) creates a program of federal assistance to states (among other non-federal entities) to be used in coordination and collaboration with electric sector owners and operators, in order to demonstrate innovative approaches to transmission, storage and distribution infrastructure to harden and enhance resilience and reliability and to demonstrate new approaches to enhance regional grid resilience.

By this letter, Duke Energy Carolinas, LLC and Duke Energy Progress, LLC (the "Companies" or "Duke Energy") are providing the Commission and interested parties with an informational update regarding potential partnerships between the state and the Companies to obtain federal funding that may be available under IIJA Section 40103(b). In addition to the information provided below, the Companies are providing an informational presentation expanding on the application process as **Attachment A**. If the Commission is considering applying for funding under Section 40103(b) to support the construction of transmission facilities (both upgrades to existing and new) to bolster resiliency and reliability and to enable the deployment of renewables onto the electric

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system, the Companies are prepared to partner with the Commission to support that effort. Such an effort would be consistent with DOE's goal to fund innovative project approaches that reduce or remove the existing technical, economic and/or regulatory barrier(s) necessary to accelerate widescale transmission expansion and renewable energy interconnection. As an eligible entity, the Commission would be the prime applicant and would work alongside subrecipients (e.g., utilities and other private entities) to complete necessary technical and non-technical project work. This will require strong, coordinated partnerships between the Commission, Duke Energy, the state of North Carolina and many other critical stakeholders, including the federal government. Duke Energy is committed to being a willing partner and will encourage a close collaboration across project team members and stakeholders alike.

### **Grid Resilience and Innovation Partnerships ("GRIP") Program Overview**

On August 30, 2022, the Department of Energy's ("DOE") Grid Deployment Office ("GDO") and Office of Clean Energy Demonstrations ("OCED") issued a draft Funding Opportunity Announcement ("FOA") outlining its novel GRIP program. Via the GRIP program, DOE will invest approximately \$10.5 billion for the five-year period encompassing FY22 through FY26 to deploy technologies to increase grid reliability and resiliency. The GRIP program coordinates the implementation of three IIJA programs, which it refers to as topic areas. These topic areas include: 1) 40101(c) – Grid Resilience Grants; 2) 40107 – Smart Grid Grants; and 3) 40103(b) – the Grid Innovation Program. DOE has stated that projects funded by the GRIP program should be designed to enable significant national, regional or community resilience improvements and the clean energy transition.

Duke Energy and its operating companies expect to be classified as eligible applicants under the GRIP program's first two topic areas (40101(c) and 40107). However, Duke Energy may not be directly eligible under the GRIP program's third topic area (40103(b)), as that program will provide financial assistance to a state, a combination of two or more states, an Indian tribe, a unit of local governments and public utility commissions to collaborate with electric sector owners and operators to deploy projects that use innovative approaches to transmission, storage and distribution infrastructure to enhance grid resiliency and reliability. As a result, the Companies would like to explore opportunities to collaborate with eligible applicants, such as the Commission.

### **Topic Area Three (40103(b)): Grid Innovation Program**

Under the GRIP program's third topic area, the Grid Innovation Program, DOE is proposing to solicit projects that contribute significantly to one or more of the following primary objectives: 1) ensuring reliable grid operations by reducing the frequency, scale and/or duration of disruptions, reducing capacity interconnection time, increasing regional and interregional transfer capacity, or reducing costs associated with increased reliability; 2) improving overall grid resilience; 3) enhancing collaboration between and among eligible entities and private and public sector owners and operators on grid resilience; 4) contributing to the decarbonization of the electricity and broader energy system; and 5)

providing enhanced system value, improving current and future system cost-effectiveness and delivering economic benefits to community members, underrepresented regions or other stakeholders. Applications to this topic area may address the transmission system, the distribution system or a combination.<sup>1</sup>

According to the draft FOA, DOE is anticipating making between four and 40 awards in its first funding tranche (FY22-23), with awards ranging from \$50 million-\$250 million (or up to \$1 billion for interregional transmission projects), at a 50% minimum cost-share. If chosen, entities would be expected to spend federal funding over a negotiated period of performance, which for 40103(b) will likely be between 60 and 96 months. DOE anticipates funding projects selected under topic area three through cooperative agreements. Through cooperative agreements, DOE provides financial or other support to accomplish a public purpose of support or stimulation authorized by federal statute. Under cooperative agreements, the government and prime recipients share responsibility for the direction of projects.

Duke Energy would also like to note that for projects funded under 40103(b), Buy America requirements would likely apply. DOE's draft FOA states that federally assisted projects that involve infrastructure work, undertaken by applicable recipient types, require that all iron, steel, manufactured products and construction materials used in the infrastructure work are manufactured/produced in the United States. DOE has initially determined that IIJA Buy America requirements do not apply to DOE projects in which the prime recipient is a for-profit entity; the requirements only apply to projects whose prime recipient is a "non-Federal entity," such as a state, local government, Indian tribe, institution of higher education, or nonprofit organization. In other words, prime recipients that are non-federal entities must flow the Buy America requirements down to all subrecipients, even if those subrecipients are for-profit entities.

### **GRIP Program Timeline and Logistics**

On August 30, 2022, DOE also issued a Request for Information ("RFI") seeking guidance on the GRIP program and its draft FOA. DOE is currently evaluating RFI responses, which were due by October 14,<sup>2</sup> and will be issuing a final FOA sometime in November 2022. This will outline the program's final goals and priorities, application requirements and timelines.<sup>3</sup>

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<sup>1</sup> The draft FOA and RFI can be accessed at the FedConnect website:

<https://www.fedconnect.net/FedConnect/default.aspx?ReturnUrl=%2ffedconnect%2f%3fdoc%3dDE-FOA-0002740%26agency%3dDOE&doc=DE-FOA-0002740&agency=DOE>.

<sup>2</sup> The Companies' response to this RFI was filed in this docket on October 19, 2022, as the DEC DEP Fourth Update on Responses to RFIs.

<sup>3</sup> The GRIP program timeline outlined below is consistent with the information outlined in DOE's draft FOA and is subject to change upon issuance of its final FOA.

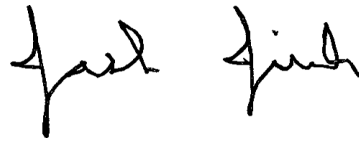
- ***Concept papers – due late December 2022 to early January 2023:***
  - DOE will be requesting and reviewing concept papers as part of the application process. Based on its review of the concept papers, DOE will encourage a subset of applicants to submit full applications. An entity may only submit one concept paper and one full application for each topic area outlined in its draft FOA.
  - Concept papers should be no more than 18 pages, including: 1) one cover page; 2) 12 pages outlining the scope of the project, its alignment to the GRIP priorities and the overall system benefit; and 3) up to a five-page addendum on the project team and its qualifications.
  - Concept papers will be due 45 days after the issuance of DOE's final GRIP program FOA.
- ***Notification of encourage/discourage – expected mid-January to mid-February 2023:***
  - Based on its review of the concept papers, DOE will encourage a subset of applicants to submit full applications. Other applicants will be discouraged from submitting a full application. An applicant who receives a “discouraged” notification may still submit a full application.
- ***Full applications – due winter 2023***
  - Applicants will have approximately 30 days from receipt of the concept paper encourage/discourage notification to prepare and submit a full application (although the submission deadline for the full application will remain the date and time stated on the final FOA cover page).
  - Applicants will submit 16-18 unique documents as part of the application process, which must include a community benefits plan outlining the project's community and labor engagement, its impact on the Biden administration's Justice40 initiative and more.
  - Applications for topic area three will be judged on four main criteria:
    1. Impact and market viability (50%)
    2. Project plan and project financial feasibility (20%)
    3. Management team and project partners (10%)
    4. Community benefits plan (20%)
- ***Award notifications – expected spring 2023***
  - Following the close of the application period, DOE will review full applications and notify successful applicants via email. Successful applicants will then enter an award negotiation phase. Negotiations are expected to last approximately 60 days.
  - During award negotiations, applicants will work with DOE to agree on their respective project's final scope, budget, key milestones (which will inform the period of performance and how awards are dispersed) and timelines.
- ***Negotiations completed and successful applicants announced – expected summer 2023***
  - Once negotiations are complete, a DOE contracting officer will execute the funding agreement, accessible by the prime recipient (in this case the NCUC).

**Duke Energy's Partnership with the North Carolina Department of Environmental Quality ("NCDEQ")**

Duke Energy and NCDEQ are discussing a potential partnership to pursue federal funding under Section 40103(b). In this partnership, NCDEQ would serve as the prime applicant and Duke Energy would serve as a subrecipient. It is important to note that each prime applicant may only submit one concept paper in response to the FOA and one application per topic area. Thus, the Commission's application would potentially support a separate concept that would provide additional benefits to the State.

If you have any questions, please do not hesitate to contact me. Thank you for your attention to this matter.

Sincerely,

A handwritten signature in black ink, appearing to read "Jack Jirak", written in a cursive style.

Jack E. Jirak

Enclosures

cc: Parties of Record



# **GRIP Program Review**

**(Grid Resilience & Innovation Partnerships)**

November 2022

## Fast Facts & Summary

- **RFI and Draft FOA Released:** August 30, 2022
- **Final FOA Expected:** November, 2022
- **Total Funding (FY22-26):** \$10.5 billion
  - DOE projects 40-100 awards representing \$3.9 billion in FY22-23
- **IIJA Programs Covered (known henceforth as topic areas):**
  - 40101(c) – Preventing Outages and Enhancing the Resilience of the Electric Grid (**Grid Resilience Grants**)
  - 40107 – Smart Grid Investment Matching Grant Program (**Smart Grid Grants**)
  - 40103(b) – Electric Grid Reliability and Resilience Research, Development and Demonstration (**Grid Innovation Program**)
- **DOE will be requesting and reviewing concept papers as part of the application process**
  - DOE will review concept papers on each topic area and encourage/discourage entities to submit full applications
  - Entities may only submit one concept paper and one application per topic area
- **GRIP Program Goals:**
  - Transform community regional, interregional and national resilience, including in consideration of future shifts in generation and load
  - Catalyze and leverage private sector (and non-federal public) capital for infrastructure deployment
  - Advance community benefits including [1] community/labor engagement, [2] US workforce development, [3] diversity, equity inclusion, and accessibility, and [4] Justice40

## Topic Area 3: Grid Innovation Program – 40103(b)

- \$5 billion in funding available FY22-26
  - \$1.92 billion available FY22-23
- Eligible Entities: a state, 2 or more states, a unit of local government, Tribes, Public Utility Commissions
- Goal:
  - Provide financial assistance to one or multiple states, Tribes, local governments, and public utility commissions to collaborate with electric sector owners and operators to deploy projects that use innovative approaches to transmission, storage, and distribution infrastructure to enhance grid resilience and reliability
  - Eligible entities are expected to work in partnership with public/private electric utilities and other grid stakeholders
- DOE Technical Approaches of Interest & Prioritization:
  - DOE is proposing to solicit projects that contribute to one or more of primary objectives\* and applications may address the transmission system, distribution system, storage or a combination
  - Buy America requirements will apply to projects funded under 40103(b)

<b>Anticipated # of FY22-23 Awards</b>	4-40
<b>Max Award Size</b>	\$50-\$250 million (up to \$1 billion for interregional transmission projects)
<b>Anticipated Period of Performance</b>	60-96 months
<b>Minimum Cost Share</b>	50%
<b>Additional Requirements</b>	1) Community benefits plan; and 2) cybersecurity plan

\*1) ensuring reliable grid operations; 2) improving overall grid resilience; 3) enhancing collaboration between and among eligible entities and private and public sector owners and operators on grid resilience; 4) contributing to the decarbonization of the electricity and broader energy system; and 5) providing enhanced system value, improving current and future system cost-effectiveness and delivering economic benefits.



## Concept Paper Main Components

### Project and/or Technology Description (12 pages)

- How the project meets the eligible uses for a topic area
- How the project's technical approach successfully achieves a stated outcome
- How the project supports State, local, Tribal, community and regional resilience, decarbonization, or other energy strategies and plans
- Grid-benefitting outcomes from the project
- The impact of the project to:
  - Reduce innovative technology risk
  - Achieve further deployment at-scale
  - Lead to private sector investments
- The impact of DOE funding on successfully completing the project
- Readiness, viability, and expected timing of the project

### Addendum A (5 pages)

Organizational qualifications, experience, and capabilities

- Do the Project Manager and team have the skill and expertise to execute the project plan?
- Does the applicant have prior experience which demonstrates an ability to perform tasks of similar risk and complexity?
- Has the applicant successfully worked with partners on previous projects?
- Does the applicant have the equipment and facilities needed to execute the project? If not, applicant needs to explain how it will obtain access to these items.

Note: applicants may provide graphs, charts, or other data to supplement their Project and/or Technology Description

## Review Criteria

Projects must demonstrate that they:

- Meet the unique objectives of a given FOA topic area
- Support State, local, Tribal, regional resilience, decarbonization, or other energy strategies and plans
- Address risks and challenges and have identified possible mitigation strategies

Applicant identifies:

- The impact DOE funding and the proposed project would have on the relevant field and application
- The qualifications, experience, capabilities, and other resources necessary to complete the proposed project

Source: EEI & Accenture

The grant application process calls for 2 primary submissions: (A) concept paper, (B) full application

	<b>A</b> Concept Paper	<b>B</b> Full Application
<b>Overview Context</b>	All potential applicants must submit a brief Concept Paper that overview their proposed activities for each Topic Area that will be reviewed to assess their overall responsiveness to the FOA as well as viability of the projects to achieve the DOE’s stated goals.	Full Applications should detail the technical merits and potential benefits of their proposed work including: <ul style="list-style-type: none"><li>• Extent to which the proposed projects will generate the greatest community or regional benefit.</li><li>• Extent to which the application provides sufficient technical detail to demonstrate that the proposed project is technically feasible and would likely result in the described benefits.</li><li>• Extent to which the project supports State, local, Tribal, regional resilience, decarbonization, or other energy strategies and plans.</li></ul>
<b>Key Submission Criteria</b>	Up to 12 pages of overview; 5-page appendix of capabilities	16-18 distinctive documents, ip to 50 pages (not including resumes & letters of commitment)

**Key Considerations**

- An entity may only submit one Concept Paper and one Full Application for each Topic Area of this FOA
- Applications combining multiple approaches are encouraged, and all applications should demonstrate how proposed innovative approaches interact with each other and any existing infrastructure to increase overall system
- Applicants may collaborate on applications (e.g., as a potential subrecipient or partner) so long as the entity is only listed as the applicant on one Concept Paper and one Full Application for each FOA Topic Area
- DOE will notify applicants of its determination to encourage or discourage the submission of a Full Application; applicants may submit a Full Application even if they receive a notification discouraging them from doing so
- On topic area 3: Projects may demonstrate Individual technologies (or multiple technologies working as a system)

## Full Application Main Components

### Key Inputs

- Technical Volume
- Resumes
- Letters of Commitment
- Statement of Project Objectives
- Summary/Abstract for Public Release
- Summary Slide
- Community Benefits Plan: Job Quality and Equity
- Report on Resilience<sup>2</sup>

### Budget Justifications & Waivers

- Budget Justifications Workbook
- Subrecipient Budget Justification
- Foreign Entity Waiver Requests and Foreign Work Waiver Requests
- Buy America Requirements for Infrastructure Projects Waiver Requests

### Forms/Questionnaires

- SF-424 Form
- Project/Performance Site Location(s) Form
- Environmental Questionnaire
- SF-LL Disclosure of Lobbying Activities Form
- Potentially Duplicative Funding Notice (if applicable)
- EIA 861 (Only for Topic 1 for small utilities)<sup>2</sup>

## Review Criteria

### Project Plan & Financial Feasibility

- Documented project plan which identifies key milestones, risks, and costs.
- Why government funding is needed to advance the project and technology

### Management Team & Project Partners

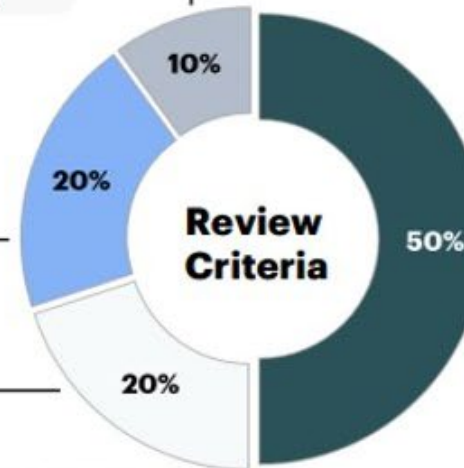
Capabilities and skill sets of the recipient as well as the capabilities of project partners

### Impact, Transformation & Technical Merit

- How the project will meet the unique objectives of the given topic
- How the development and impact of the project may lead to further private investments
- How the project is feasible and project benefits

### Community Benefits Plan

Demonstrate that the project(s) address the energy infrastructure modernization goals



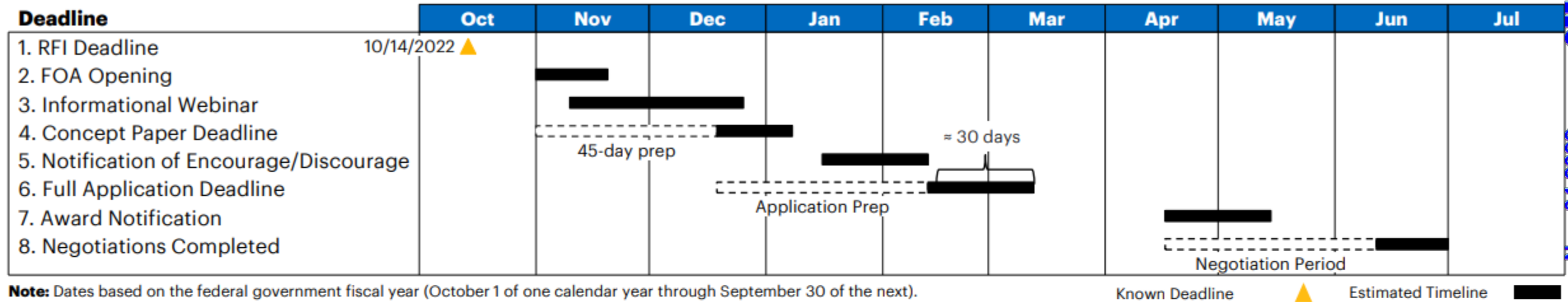
Source: EEI & Accenture

The full application will be due ~30 days after receiving feedback from the DOE (encourage vs. discourage)



# GRIP Program Timeline

Applicants will have ~30 days from receiving DOE feedback (encourage/discourage) to submit full applications



- 1 RFI Deadline**

  - RFI may address one or more of the 46 questions
  - To be Submitted electronically to GDORFI@hq.doe.gov no later than 5:00pm (EDT) on October 14, 2022
  - 20 pages in length, 12-point font, 1-inch margins
- 2 FOA Opening**

  - Official Funding Opportunity Announcement (FOA) published, outlining Concept Paper and Full Application requirements
- 3 Informational Webinar**

  - For each topic, a concept paper must be submitted to qualify for the Full Application. The DOE will issue an Encourage / Discourage notification to prioritize candidates
- 4 Concept Paper Deadline**

  - 12 pages of overview; 5-page appendix of capabilities
  - Applicants should cover how the project meets the eligible uses for a topic area and present team capabilities and qualifications
- 5 Decision Notification**

  - Applicants will be notified via email if they are encouraged or discouraged to apply
  - Full applications can be submitted regardless of outcome
- 6 Full Application Deadline**

  - Applicants will submit 16-18 unique documents
  - Applications must include a Community Benefits Plan (Community and Labor Engagement, Justice40, Buy America)
- 7 Award Negotiation**

  - Award negotiation process is expected to take 60 days
  - Awardees will be publicly announced
- 8 Negotiations Completed**

  - Award disbursed to selected candidates and follow up on next steps

# Buy America Requirements

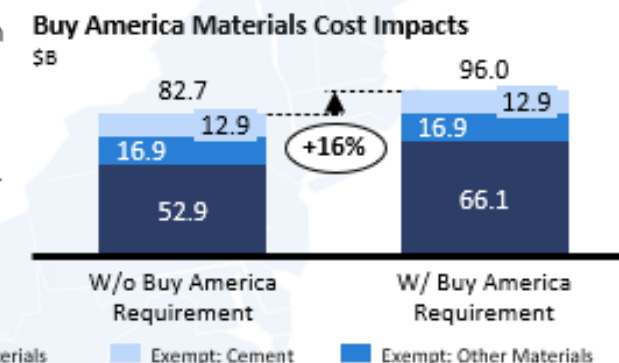
- Required for projects proposed: Topic 3
- All iron/steel (including all manufacturing processes) and manufactured products used in the infrastructure work are produced in the US
  - >55% of components' total cost of the manufactured product originate in the US
- All construction materials used in the infrastructure work are manufactured in the US
  - (e.g., non-ferrous metals, plastic & polymer-based products, glass, lumber, drywall)
- \*Requirements:
  - **DO NOT** apply to projects in which the prime recipient is a For-Profit entity (e.g., investor-owned electric company)
  - **DO** apply to a For-Profit entity that's a subrecipient to a non-federal entity

- In limited circumstances, waivers can be used if:
  - Applying Buy America requirements would be inconsistent with public interest
  - Types of iron, steel, manufactured products or construction materials are not produced in the US in sufficient and reasonably available quantities or satisfactory quality
  - Inclusion of iron, steel, manufactured products, or construction materials produced in the US will increase overall project cost by >25%

## Impact to IIJA Portfolios

Buy America requirements are expected to increase cost of materials by \$13.2B in Electric Industry directly-relevant IIJA programs\*

- Buy America requirements on IIJA program materials will lead to an approximate 25% increase in addressable materials cost leading to an overall 16% increase
- Notable exemptions include cement and IT infrastructure (incl. software)

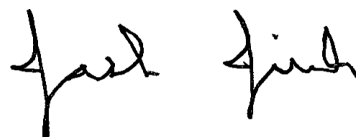


\*This may change when FOA is issued – still working to get clarity on this proposal from DOE.

**CERTIFICATE OF SERVICE**

I certify that a copy of Duke Energy Carolinas, LLC and Duke Energy Progress, LLC's Informational Update Regarding Potential Partnerships under Section 40103(b) of the IIJA, in Docket No. M-100, Sub 164, has been served by electronic mail, hand delivery or by depositing a copy in the United States mail, postage prepaid, to parties of record.

This the 4<sup>th</sup> day of November, 2022.

A handwritten signature in black ink, appearing to read "Jack Jirak", written in a cursive style.

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