



CORONAVIRUS STATE FISCAL RECOVERY FUND

ENERGY INCENTIVE PROGRAM

Program Guidelines

GOVERNMENT OF PUERTO RICO



Table of Contents

- Program Overview 3
 - Background 3
 - Program Description 3
- Points of Contact..... 4
- Definitions..... 4
- Eligibility Criteria 4
- Evaluation Process 6
 - Phase I Certification Process for Suppliers..... 6
 - Phase II Selection Process for Beneficiaries..... 6
- Grant Process Overview..... 7
 - Requests..... 7
 - Evaluation 8
 - Award and Funding 8
- Ineligible Expenditures..... 8
- Compliance 8
- Reporting Requirements..... 9

Program Overview

Background

Since March of 2020, Puerto Rico, like most jurisdictions in the United States and countries around the world, has experienced an unprecedented emergency caused by the Coronavirus Disease 2019 (“COVID-19”) pandemic. To slow the spread of the disease and ensure stability of its healthcare system, the Government of Puerto Rico has implemented measures to address the emergency. On March 12, 2020, the Government of Puerto Rico issued Administrative Bulletin OE-2020-020 through which formally declared a state of emergency due to the imminent impact of the coronavirus in Puerto Rico.

During the state of emergency, Puerto Rico suffered great loss of life and severe economic hardships which have impacted a Commonwealth still reeling from natural disaster. Puerto Rico lost over 2,500 citizens, tourism dwindled with hotel registrations falling 95% from February to April 2020, and ~460,000 residents of Puerto Rico experienced unemployment, twice the previous number of unemployed individuals. Despite these hardships, Puerto Rico persevered, and with over 2,600,000 doses of COVID-19 vaccines administered, Puerto Rico is positioned to emerge from the COVID-19 pandemic.

To help Puerto Rico emerge from the COVID-19 pandemic, Congress passed the American Rescue Plan Act of 2021 (“ARP Act”), and the President signed it into law on March 11, 2021. To assist state governments with addressing the lingering public health emergency while targeting areas and industries in needs of economic development, the ARP Act established the Coronavirus State and Local Fiscal Recovery Fund, which provides \$350 billion in direct assistance to states, territories, counties, metropolitan cities, tribal governments, and non-entitlement units of local governments. As part of the Coronavirus State and Local Fiscal Recovery Fund, Puerto Rico received \$2.47 billion under the Coronavirus State Fiscal Recovery Fund (“CSFRF”).

To ensure the expeditious processing of apportioned funds from the CARES Act, the Government of Puerto Rico established the Disbursement Oversight Committee, consisting of the Secretary of the Department of the Treasury, the Director of the Office of Management and Budget (OGP), and the Executive Director of the Puerto Rico Fiscal Agency and Financial Advisory Authority (AAFAF). The Committee was created on May 15, 2020, by means of Executive Order No. 2020-040, and on May 7, 2021, by means of Executive Order No. 2021-034, the Governor of Puerto Rico extended the Committee’s oversight to include CSFRF.

Program Description

On October 4, 2021, Governor Pedro Pierluisi announced the Energy Incentive program to assist small to medium businesses in the development of energy conservation initiatives and green energy investments. The Puerto Rico Department of Economic Development and Commerce (DEDCC) will receive applications from small to medium businesses (“PYME”) who qualify to obtain the incentive. This incentive will amount up to \$ 25,000, which will also aim to help stabilize the operation of their businesses. In addition, reducing costs and energy consumption in the long term for the eligible PYME’s. Each application will be evaluated considering various criteria, such as the location, services provided, economic sector it represents, and the savings of the project.

This program will be divided into two (2) phases:

Phase I -

Suppliers that provide green energy and/or energy conservation projects will complete the registration process.

Phase II -

The DDEC will provide eligible beneficiaries' incentives to cover the cost of green energy and/or energy conservation projects. The incentive will have a capped amount of \$25,000. Applications will be evaluated and scored based on energy savings percent and project return on investment. Specific defined commercial sectors and regions will receive higher scoring.

Disbursement of Program funds will be subject to the strictest standards to ensure compliance with federal regulations and best practices. Therefore, each request for disbursement will be duly documented and subject to control and audit.

Points of Contact

The Program will be administered by the Coronavirus Relief Fund Disbursement Oversight Committee (Committee) in conjunction with the Puerto Rico Department of Economic Development and Commerce (DDEC), and the Puerto Rico Fiscal Agency and Financial Advisory Authority (AAFAF).

Definitions

PYMES: The DDEC has established for the purpose of this program, as businesses that generates an average sales volume of five million dollars (\$ 5,000,000.00) or less during the three (3) previous taxable years preceding the current Tax Year.

Eligibility Criteria

Eligible suppliers for Phase I must meet the following criteria:

- Businesses must provide evidence of being a PYME company according to the established definition.
 - I. This may be through financial statements or tax returns
- Provide evidence of experience and capabilities to complete de eligible activities under this program. Evidence provided must include:
 - I. Professional credentials
 - II. Key personal Resume
- Documents:
 - II. Merchant Registration
 - III. Evidence of payroll (minimum of 3 employees)
 - IV. No debt Certification from the Treasury Department
- The development of green energy and/or energy conservation projects will be carried out exclusively by companies that meet the established requirements and complete the supplier registry.

- Commit to abiding by the Program’s terms and conditions, and agree to return the Program funds, if it is determined that they did not comply with any of the Program eligibility requirements, or if the Program funds were not spent on the approved timeline by the DDEC (no longer than 12 months from the approval date).
- In case of not having at least 30 qualified PYMES suppliers that generate an average sales volume of five million dollars (\$ 5,000,000.00) after 30 days from the supplier registry opening, the Program will allow businesses with average sales volume of up to fifteen million dollars (\$15,000,000.00) or less during the three (3) previous taxable years preceding the current Tax Year.

Eligible beneficiaries for Phase II must meet the following criteria:

- Businesses must provide evidence of being a PYME company according to the established definition.
 - I. This may be through financial statements or tax returns
- Documents:
 - II. Merchant Registration
 - III. Evidence of payroll (minimum of 3 employees)
 - IV. No debt Certification from the Treasury Department
 - V. Electric bills for the last three months
- Incentives will be granted only to companies that meet the established requirements, complete the application, and provide all the information necessary to receive the incentive.
- Only projects that have not commence at the date of the application will be considered.
- Commit to abide by the Program’s terms and conditions, and agree to return the Program funds, if:
 - it is determined that they did not comply with any of the Program eligibility requirements, or;
 - if the Program funds were not spent on eligible expenses by the approved timeline by the DDEC (no longer than 12 months from the approval date);
 - if a project amount exceeds the capped amount of \$25,000 the beneficiary must commit to pay the difference to the supplier.

Phase II Incentives & Requirements

- The incentive will be fixed at \$25,000 if the total cost of the project is greater than that fixed amount, the beneficiary must commit to pay the difference. If it is less, the beneficiary will be awarded 100% of the investment.
- Eligible activities for the incentive include:
 - Renewable energy systems
 - Storage Integration (for batteries)
 - Infrastructure for electric vehicle charges
 - Energy efficiency measures such as: installation of control systems, replacement of water heaters with solar heaters, replacement of air conditioning units, replacement of lighting and replacement of refrigerators or freezers.
- Eligible activities may be combined as part of a project to apply for the incentive.
- The project must have a return on investment that does not exceed 12 years.

- The disbursement of the incentive will be made directly to the pre-qualified supplier hired by the beneficiary after the work related to the project has been completed and inspected. Written agreement between the Suppliers and the beneficiaries must be submitted to the DDEC.
- A 12-month period will be granted after approval of the incentive for the development of the projects and disbursement request of the incentive.
- Once the project is completed, the supplier will deliver a certification by a licensed engineer validating the description of the work was carried out in accordance with the incentive approved project description and all the applicable regulations, codes, and standards.
- The beneficiary must submit the invoices or evidence related to the project costs.
- The evaluation of the documents to claim the corresponding payment by the DDEC should not exceed 45 days.

Evaluation Process

Phase I Certification Process for Suppliers

- Once the supplier application is open, suppliers will have 15 days to submit the required documentation.
- After receiving the required documentation, in a period that will not exceed 15 days, DEDC will evaluate, and certify applications.
- In case of missing documents, DDEC will notify the supplier and the supplier will have 5 days to submit the missing documents.
- In case of not having at least 30 qualified PYMES suppliers that generate an average sales volume of five million dollars (\$ 5,000,000.00) after 30 days from the supplier registry opening, the Program will allow businesses with average sales volume of up to fifteen million dollars (\$15,000,000.00) or less during the three (3) previous taxable years preceding the current tax Year.

Phase II Selection Process for Beneficiaries

- The beneficiary registry for the PYME incentives will open when the supplier registry period is over. A public notification will be announced by the DEDC through their portal <http://www.ddec.pr.gov>.
- Once the application period opens, applicants will have 30 days to submit the required documents.
- After that, the DEDC will carry out its selection process based on the criteria established bellow. This process should not take more than 30 days, from the close of the period for submitting documents.

The DDEC will form a selection committee led by the director of the DDEC's Energy Public Policy Program, along with a member of the Finance Department, Legal Department and the Secretary (or a representative).

The projects applying for incentives will be evaluated with the following criteria:

| Description | Evaluation Formula |
|--------------------------|--|
| Projected energy savings | $(\text{Annual Savings kWh}/\text{annual consumption kWh}) \times 100$ |
| Return of investment | 144 – ROI of the program (in months) |

Taking into consideration storage systems costs represents a considerable cost, and seeking to promote the continuity of business operations, a multiplying factor of 20% will be given to the evaluation of projects that include energy storage (battery systems) to cover critical operations loads.

After evaluating the projects applying for incentive, percentages of preferences will be established for the beneficiaries by business sector, company classification, and location as described below:

| Business sector, company classification and location | Percentage of Preference |
|--|--------------------------|
| Young Entrepreneurs | 5% |
| Women Entrepreneurs | 5% |
| Recycle Business | 5% |
| Goods Export | 5% |
| Rum and Beer Manufacturing | 5% |
| Location Vieques/Culebra/South Region (municipalities affected by earthquake impact as per list included) *. | 5% |

* *Guánica, Guayanilla, Peñuelas, Ponce, Utuado, Yauco, Adjuntas, Cabo Rojo, Corozal, Jayuya, Lajas, Lares, Maricao, San Germán, San Sebastián and Villalba.*

To benefit from the preference factors, beneficiaries must provide evidence of compliance with the business sector, company classification, or region. Additionally, for young (35 years or under at the submission of the application) and women entrepreneurs, at least 50% of the company must be owned by people who meet the criteria to classify.

Grant Process Overview

The following is intended to outline the process by which funds from the CSFRF will be distributed to the Department of Economic Development and Commerce (DDEC) for disbursement to environmental conservation groups.

| | |
|------------------------------|---|
| October 4, 2021 | Award Announced |
| November 2021 | Funds Advanced to Department of Economic Development and Commerce |
| Pending | Phase I – Supplier Registration Period |
| Pending | Phase II – Application period for Beneficiaries |
| Pending | Funding Requests Reviewed and Determinations Rendered |
| October 2021 – December 2024 | Monthly Use of Funds Reports |
| January 2023 – February 2026 | Program Audits and Compliance Review |

Requests

Requests will be submitted electronically to apoyoenergetico@ddec.pr.gov. Upon submission, Applicants will receive a confirmation via electronic mail.

Additional information for the Energy Incentive program will be posted at <http://www.ddec.pr.gov>. Supplier and beneficiaries' registration will be through <http://www.refuerzoeconomico.com>

More information on Guidance published by the U.S. Treasury, or other available programs can be found on the web at: <http://www.aafaf.pr.gov/covid-19-resource-center/>

Evaluation

All requests will be evaluated for completeness and eligibility. Final determinations will be made by representatives of the DDEC allocating funds using a standard of necessity.

The Disbursement Oversight Committee will receive a final report of Funding award decisions.

Award and Funding

Requestors will be notified via electronic mail of funding decisions. Subsequent funding opportunities (including expansion of eligible institutions and use of funds) will be determined based upon availability of funds remaining after completion of initial awards.

Ineligible Expenditures

Ineligible expenses will be determined by the Committee, the U.S. Department of the Treasury, the Office of Inspector General (OIG), and other regulatory bodies, and under this award include, but are not limited to:

- Payments to any institution that does not meet the Eligibility Criteria
- Necessary expenses that have been covered or reimbursed, or that will be covered in the future, by other state or federal programs, including funds received through the CARES Act or from FEMA

For further guidance please refer to the Guidance published by the U.S. Treasury at <https://home.treasury.gov/policy-issues/coronavirus/assistance-for-state-local-and-tribal-governments/state-and-local-fiscal-recovery-funds> and the Frequently Asked Questions published by the U.S. Treasury at <https://home.treasury.gov/system/files/136/SLFRPFAQ.pdf>.

Compliance

Any government entity receiving funds must adhere to the Uniform Guidance, 2 C.F.R § 200 (“Uniform Guidance”). This Uniform Guidance outlines the “Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards”. Recipients and their personnel are responsible for reviewing, understanding, and applying the complete underlying legislation and guiding documents. For complete details on 2 CFR 200, visit the Electronic Code of Federal Regulations at https://www.ecfr.gov/cgi-bin/text-idx?tpl=/ecfrbrowse/Title02/2cfr200_main_02.tpl. Topics included in the Uniform Guidance include, but are not limited to:

- Procurement standards and requirements
- Contract cost and price principles
- Bonding requirements
- Document retention and auditing provisions

Any government and non-government entity receiving Program funds will be required to retain use of funds records and supporting documentation for a period of five (5) years. Furthermore, by accepting

CSFRF funds, government and non-government entities are required to certify proper and legal use of the funds and agrees to cooperate in any audit proceedings requested by the Government of Puerto Rico or other governing entity responsible for the compliant use of Program funds.

Reporting Requirements

On an annual basis, the Government of Puerto Rico is required to submit a performance report detailing the progress and impact of the use of CSFRF funds. This Recovery Plan Performance Report will include descriptions of the projects funded and information on the performance indicators and objectives of each award, helping residents understand how their governments are using the substantial resources provided by Coronavirus State and Local Fiscal Recovery Funds program.

The key output performance indicators for this Program include:

- Amount disbursed
- Economic impact
- Ecological impact
- PYMES impacted

The key outcome performance indicators for this Program include:

- New business development and green energy impact
- Cost reductions

To ensure timely reporting, the Government of Puerto Rico requires the Lead Agency to adhere to the following reporting frequency:

- On a quarterly basis, the Puerto Rico Department of Economic Development and Commerce will provide a summary of all program disbursements to date.

To ensure timely reporting, the Government of Puerto Rico requires the Recipients to adhere to the following reporting frequency:

- On a monthly basis, the recipients will be required to submit monthly financial reports using the reporting template provided by the program. Upon program close, recipients will be required to submit a comprehensive final financial reconciliation report detailing the use of program funds.

As reporting needs may change over time, the Program reserves the right to request additional data from the Lead Agency or Recipients at any time.