



DEPARTMENT OF
HOUSING



PUERTO RICO

Community Development Block Grant – Disaster Recovery for
the Electrical Systems Enhancements & Improvements

DRAFT ACTION PLAN AMENDMENT 2 (SUBSTANTIAL)

**This document constitutes a DRAFT DELIVERY and is subject to HUD
approval.**

DRAFT DELIVERY DATE: February 29, 2024



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Table of Contents

2ND AMENDMENT TO THE CDBG-DR ENERGY ACTION PLAN (SUBSTANTIAL): REVISED DRAFT	4
<i>U.S. Department of Housing and Urban Development Review Period</i>	4
SUMMARY OF CHANGES	5
<i>Budget Reallocation Table</i>	5
PROPOSED SUBSTANTIAL AMENDMENT CHANGES	6
<i>System Components</i>	6
<i>Best-Fit Approach and Leveraging of Funds</i>	8
<i>Energy Grid Rehabilitation and Reconstruction (ER1) Cost Share Program</i>	13
Hurricane Impact	13
Eligible Activities	14
Electrical Power Systems Improvements Activity	14
Electrical Power System Improvements	15
Ineligible Activities	15
National Objective	15
Eligibility Criteria	16
Environmental Review	16
Method of Distribution	17
Program Objective & Description	18
ER1 Program Project Evaluation and Selection by Budget Distribution and Functional Groupings	18

2ND AMENDMENT TO THE CDBG-DR ENERGY ACTION PLAN (SUBSTANTIAL): REVISED DRAFT

U.S. Department of Housing and Urban Development Review Period

This document constitutes a DRAFT DELIVERY of the 2nd Amendment to CDBG-DR Action Plan for the Electrical Power System Enhancements and Improvements (Substantial) and is subject to approval by the U.S. Department of Housing and Urban Development (**HUD**).

On January 4, 2024, the DRAFT of the 2nd Amendment to CDBG-DR Action Plan for the Electrical Power System Enhancements and Improvements (Substantial) was published for a 30-day public comment period that concluded on February 3, 2024. Each substantial amendment to the CDBG-DR Energy Action Plan must be published on the Puerto Rico Department of Housing (**PRDOH**) website for a public comment period of no less than thirty (30)¹ calendar days to ensure adequate citizen participation, as required by HUD.

All comments received on the draft substantial amendment were revised by PRDOH before submitting the DRAFT amendment to HUD on February 29, 2024, for the federal agency's 60-day review period. Upon this DRAFT DELIVERY date, HUD shall complete its evaluation process and approve or request modifications to this 2nd Amendment to the CDBG-DR Action Plan for the Electrical Power System Enhancements and Improvements (Substantial) on or before a 60-day period from the date of receipt. If HUD requires modifications, PRDOH will resubmit a revised version of the amendment.

The approved amendment will be posted on PRDOH's website and incorporated into the Action Plan as a whole. This will allow the public and HUD access to PRDOH's entire Action Plan for viewing as a single document, rather than having to search for and cross-reference its multiple changes.²

The most current version of the CDBG-DR Electrical Power System Enhancements and Improvements Action Plan, including all approved amendments, is available in English and Spanish at PRDOH's website at <https://recuperacion.pr.gov/en/action-plans/action-plan-electrical-system-enhancements/> and <https://recuperacion.pr.gov/planes-de-accion/plan-de-accion-optimizacion-del-sistema-electrico/>.

Public comments related to this substantial amendment with PRDOH's responses are available at the CDBG-DR website as Appendix A.0 and A.1.

¹ See Federal Register Notice Vol. 86, No. 117 (June 22, 2021), 86 FR 32681, 32688.

² See 86 FR 32681, 32688.

SUMMARY OF CHANGES

This substantial amendment includes programmatic changes for the energy programs. A summary of the changes is provided in the table below:

Section	Subsection	Proposed Changes
Energy Programs		
Electrical Power Systems Improvements Program	System Components	<p>PRDOH is removing the requirement which mandates that reallocations between functional groupings of more than 25% necessitate a substantial amendment process. Instead, any reallocations between components greater than 10% would trigger a non-substantial amendment.</p> <p>As PRDOH has discovered throughout the project consideration process, there needs to be a greater ability for flexibility between the functional groupings. With greater flexibility between the functional groupings and removal of the substantial amendment requirement, PRDOH will be better positioned to evaluate, award, and implement these projects in a timely manner.</p>
Electrical Power Systems Improvements Programs	Best-Fit Approach and Leveraging of Funds	Updating the language regarding leverage of funds across CDBG-DR and CDBG-MIT programs to align with the new CEWRI-CI subprogram approach under CDBG-MIT.
Energy Grid Rehabilitation and Reconstruction (ER1) Cost Share Program	National Objective	Amending the ER1 National Objective language to align with the ER2 National Objective language and further note the alternative requirements provided in the Federal Register Notice.

Budget Reallocation Table

No budget reallocation was conducted in this amendment.

PROPOSED SUBSTANTIAL AMENDMENT CHANGES

The following changes are proposed for the 2nd Amendment to CDBG-DR Action Plan for the Electrical Power Systems Enhancements and Improvements (Substantial). This draft is subject to HUD approval.

System Components

The Federal Register requires grantees to account for the projected expenditures of components of the electrical power system. These components include the following items (marked in underline from an excerpt of the Federal Register):

“(i) An electrical power system shall be defined as an interconnected or autonomous set of transmission lines, distribution lines, substations, central power generation stations, other sources of power, distributed energy resources, or enabling technologies and services, such as industry standard billing, accounting information technology, cybersecurity enhancements, microgrids and fuel transfer delivery systems, that are necessary for the provision of reliable, resilient, stable, and cost effective electrical service[...].”³

Since several components overlap or may have the same or similar meaning (e.g., distributed energy, other sources of power, and microgrids), PRDOH organizes the components into functional groupings. The rationale is that the groupings, such as the renewable/ microgrid/ other energy components, can align with each program. A project for instance, a microgrid, may include localized improvements to transmission and distribution assets, which would be considered ancillary to the microgrid improvement.

The component groupings are:

1. Transmission & Distribution
2. Substations
3. Central Power Generation
4. Other sources of power, distributed energy, microgrids
5. Enabling Technology

PRDOH has established a fungibility threshold between components, since budgeting at the component level for FEMA cost-share is currently unfeasible due to the scopes of work ~~will be~~ being developed over time, not simultaneously, and scopes may have minor fluctuations in budget from what is currently anticipated. In order to facilitate the pace of the recovery and ease the administrative burden associated with the Action Plan amendment process, PRDOH will reallocate budgets between components at 10% or less of the budget for each component. This will allow for minor adjustments in expenses between component categories without having to amend the Action Plan. Any reallocations between components greater than 10% would trigger a non-substantial

³ 86 FR 32681, 32692.

amendment. More than 10% but 25% or less would trigger a non-substantial amendment; and greater than 25% in change between component budgets would require a substantial amendment. For the traditional CDBG-DR Action Plan process, the budget revision amendment process addresses a change in budgets between eligible CDBG-DR activities. In this Action Plan, however, the activity will always be Electrical Power System Improvements, so the component categorization is a finer level of detail not related to the eligible activity.

ANTICIPATED FUNDING USAGE BY FUNCTIONAL GROUPINGS	ER1 BUDGET \$500,000,000	ER2 BUDGET \$1,316,406,180
1. Transmission & Distribution	70.0%	N/A
2. Substations	9.7%	N/A
3. Central Power Generation	11.3%	10%
4. Other sources of power, distributed energy, microgrids	N/A	80%
5. Enabling Technology	9.0%	10%

Table 1 - Anticipated Budget Usage by Functional Groupings

Best-Fit Approach and Leveraging of Funds

According to 86 FR 32681, the grantee must “increase the long-term impact of Federal investments on the electrical power system.” To achieve this, the grantee should foster the use of multiple sources of funding, “such as leveraging other existing capital improvement projects and the potential for private investment.” This leverage can also be achieved with sources provided through public-private partnerships, FEMA, EDA, USACE, among others, including State and Community Organizations.⁴

For permanent, long-term recovery projects funded by CDBG-DR, Puerto Rico has little opportunity to leverage local funding due to widespread economic hardship and existing bond debt. This economic hardship and the severity of the damage caused by Hurricane María has been recognized by the Federal Government in the approval of a higher federal cost share for FEMA PA funds, increasing the standard 75% cap to allow up to 100% federal reimbursement for Category A (debris removal) and B (emergency protective measures) work, and 90% for Categories C through G (permanent work). Significantly, the 100% federal coverage for work performed under Categories A and B expired in phases through September 15, 2018, leaving an increased obligation for non-federal match. 100% cost share is different for each FEMA category.

Puerto Rico's recovery funding strategy primarily aligns federal assistance funding, to the greatest extent possible, through complementary programs to maximize recovery dollars and overcome funding barriers. This includes ensuring programs are funded with the most restrictive eligible funding sources first, in accordance with their proposed eligible activity, and then moving through the funding stream to the least restrictive. For that reason, and to ensure compliance with Stafford Act restrictions against duplication of benefit, this Action Plan will focus on unmet energy power system needs. At the same time, Puerto Rico works with FEMA to implement the program to participate in alternative procedures for all large project funding for PA Categories C-G pursuant to Section 428 of the Stafford Act.

There is a broad range of energy resilience needs and funding mechanisms. ~~Because of the limited funds and the overwhelming need, it is~~ make it imperative for ~~that~~ PRDOH to utilize a “Best-Fit” approach for each potential energy project. PRDOH will need to work with entities and other funding agencies to align projects with the funding stream where they are best-suited. This is applicable even within the different CDBG-DR and CDBG-MIT programs under PRDOH administration. **Table 17** below is an example of how we must ensure the “best-fit” for each project. On the left are the different funding streams, with timelines and administering entities. Since energy resilience needs may be addressed through a variety of programs, proposed projects may need to be aligned with the appropriate program based on the target area, eligibility criteria, timeline, etc., to maximize the funding available.

⁴ 86 FR 32681, 32686.

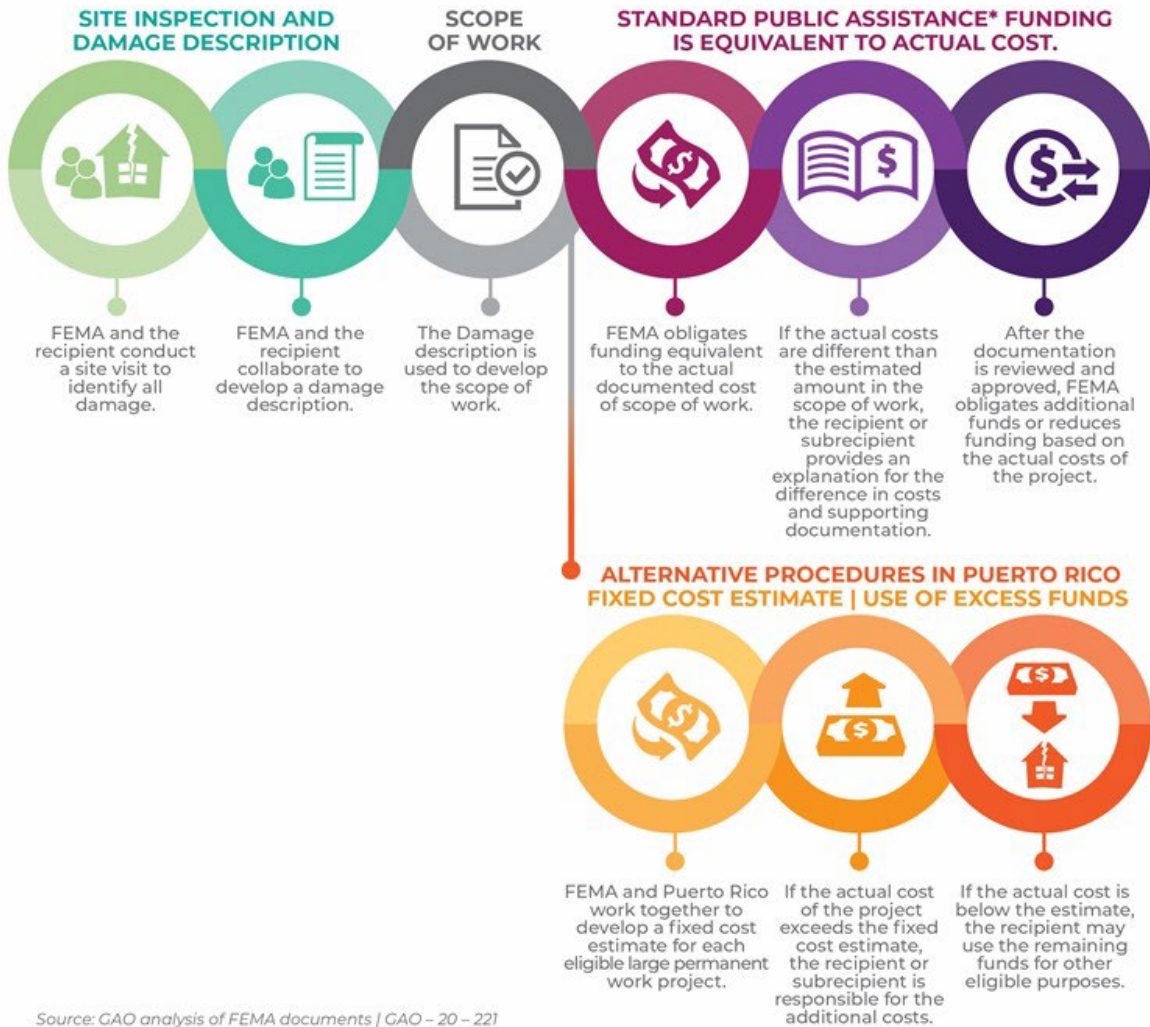
Entity	Federal Program	Fund	Sub-Program	Time for Completion (Years)	Allocation
COR3	FEMA Permanent Works Federal Share	428 -	FAASt for PREPA	Project must be completed within regulatory deadlines	\$9.46B
COR3	FEMA Mitigation Grant Program (HMGP)	404-Hazard		Project must be completed within regulatory deadlines	\$853M
COR3	FEMA Assistance Program	406-Public		Project must be completed within regulatory deadlines	TBD
EPA	Drinking Water State Revolving Funds			Subject to project complexity	\$11M
EPA	Clean Water State Revolving Funds			7 years	\$20.9M
USDA	Rural Energy for America Program (REAP)		-Energy Audit and Renewable Energy Development Assistance (EA/REDA) -Energy Systems and Energy Efficiency Improvements (RES/EEI)	-EA/REDA Programs Applications February 2, 2021 - Jan 31, 2022 -RES/EEI Program Applications Nov. 1, 2021 - March 31, 2022	\$538M
EDA	Economic Adjustment Assistant (EAA)			Fiscal year application	\$500M
PRDOH	HUD CDBG-DR		CEWRI - Residential	2026-2029	\$300M
PRDOH	HUD CDBG-MIT		CEWRI - Residential/ Small Business	2033	\$500M
PRDOH	HUD CDBG-MIT		HMGP Match	2033	\$1B

Table 2 - Funding Matrix

Table 17 shows information that contains a high-level overview of potential funding sources, and is not intended to imply that all funds are allocated exclusively for energy. Additionally, some of the potential funding sources refer to revolving funds that are not necessarily set aside for energy.

The cost-share approach will also require ongoing coordination between PRDOH and COR3 to find the “Best Fit” for each energy project, ensuring the projects:

- Are aligned with the correct CDBG-DR/CDBG-MIT/CDBG-DR Energy funding stream; and
- Align with CDBG-DR requirements and LMI National Objective Goals.



Source: GAO analysis of FEMA documents | GAO – 20 – 221

Figure 1 - FEMA's Public Assistance Procedure

Homeowners seeking individual residential-level assistance or communities seeking small-scale microgrid solutions may be referred to CDBG-DR and CDBG-MIT programs designed to address those needs, while large-scale solutions will be evaluated under the Electrical Systems Enhancements and Improvements Programs in this Action Plan.

PRDOH has a portfolio of programs between its CDBG-DR,⁵ CDBG-Mitigation,⁶ and CDBG-DR Energy allocations that may serve to provide energy and infrastructure resilience in various ways.

⁵ CDBG-DR Community Energy and Water Resilience Installations Program. <https://cdbg-dr.pr.gov/en/download/community-energy-and-water-resilience-installations-program/> (English) and <https://cdbg-dr.pr.gov/download/instalaciones-comunitarias-para-la-resiliencia-energetica-y-de-abastecimiento-de-agua/> (Spanish).

⁶ CDBG-MIT Community Energy and Water Resilience Installations Program. https://cdbg-dr.pr.gov/wp-content/uploads/2021/08/ADM_MIT_Summary-of-CDBG-MIT-Programs_EN.pdf (English) and https://cdbg-dr.pr.gov/wp-content/uploads/2021/08/ADM_MIT_Summary-of-CDBG-MIT-Programs_ES.pdf (Spanish).

The programs address needs at different scales, such as the residential scale for the Community Energy & Water Resilience Installations Program in CDBG-DR, at the municipal or regional level for the Community Energy & Water Resilience Installations Program in CDBG-MIT, and at the energy system level for the Electrical Systems Improvements allocation.

Individual households are eligible to receive photovoltaic systems with battery backup under the Community Energy & Water Resilience Program (**CEWRI**) in CDBG-DR. The program, currently funded at \$300,000,000, is anticipated to provide approximately 12,000 households with localized energy resilience.

The CEWRI Program in the CDBG-MIT Action Plan provides for community installations that may include larger kilowatt, bimodal systems that can support health, lighting, communication, and other backup energy needs of area residents of energy production and storage systems solutions that may be offered alongside home-based improvements to reduce household barriers to mitigation. The program can award up to \$2,000,000 \$40,000 per household. Community projects may include individual household renewable energy and water storage systems that are installed in targeted communities as part of a collective. Units of general local government/ Local and Municipal Governments, Community-Based Development Organizations and private not for profits, and non-governmental organizations (501(c)(3)) are encouraged to evaluate the program as described in the CDBG-MIT Action Plan. Applicants that occupy a single-family home structure serving as their primary residence are encouraged to evaluate the program as described in the CDBG-MIT Action Plan. The plan may be found at: <https://cdbg-dr.pr.gov/en/cdbg-mit/> (English) and <https://cdbg-dr.pr.gov/cdbg-mit/> (Spanish).



Figure 2 - Complementary CDBG-DR Portfolios

Community members are encouraged to learn about the variety of program options by participating in PRDOH outreach events, visiting the website at <https://cdbg-dr.pr.gov/>,

or contacting the PRDOH using one of the many options provided in the Citizen Participation section at the end of this Action Plan.

Energy Grid Rehabilitation and Reconstruction (ER1) Cost Share Program

PROGRAM BUDGET	ADMINISTERING ENTITY	NATIONAL OBJECTIVE
\$500,000,000	PRDOH	LMI/ UN 70% LMI GOAL
MAX AWARD	START – END DATE	ELIGIBLE AREA
PER PROJECT AMOUNT	DURATION OF THE GRANT	PUERTO RICO

Table 3 - ER1 Program Budget

Hurricane Impact

As detailed throughout the Unmet Needs Assessment and as documented by FEMA in its approval of significant recovery funds related to the comprehensive recovery of the electrical system, the electrical grid must be rebuilt from the ground up. Additionally, the PREPA's financial inability to recover is a key element of the Fiscal Plans related to the energy grid.⁷

Many of the federal grant programs that have funded Puerto Rico's response, and will continue to provide for the Island's long-term recovery, are subject to cost-share requirements. Cost-share requirements generally consist of a 25% or 10% match, depending on the disaster. In some instances, where a disaster exceedingly overwhelms a state/local government's ability to respond and fund recovery, and for whom a high level of damage has occurred, FEMA has supported PA at 100% Federal Cost. The cost-share for Hurricane María for FEMA PA permanent work is currently 10%.

On June 17, 2021, the Governor of Puerto Rico submitted a request to the U.S. President requesting FEMA consideration of 100% federal funding for all permanent work under the Major Disaster Declaration related to Hurricane María (FEMA DR 4339-PR). The request states, "[a] 100% federal cost share for FEMA public assistance permanent work would liberate a significant amount of CDBG-DR federal funds that were allocated to Puerto Rico due to the devastation caused by Hurricane María and that are currently destined for non-federal cost share purposes as permitted by the federal government. Those funds could then be repurposed for other CDBG-DR programs that the people of Puerto Rico desperately need to overcome the different crises that have affected us since 2017." This request was not approved by the Federal Government.

⁷ PREPA. 2021 Fiscal Plan for the Puerto Rico Electric Power Authority, as certified by the Financial Oversight and Management Board for Puerto Rico on May 27, 2021. <https://drive.google.com/file/d/1dXFJldZpOIsAOBmZDBd7T2P3j2xMPaal/view>.

PRDOH will focus on meeting the non-federal cost share of FEMA's PA allocation for the PREPA Island Wide FAASt Project, which has a 10% cost-share requirement. The FAASt award, subaward number 6099 for PREPA, is approximately \$10.5 billion. Depending on available funding, PRDOH may also consider the viability of matching non-federal cost shares of other federal grant-in-aid programs related to electrical system improvements. The FEMA 406 mitigation measures under FEMA PA have not yet been determined, as that evaluation is conducted when the architectural and engineering design is underway and specific mitigative measures for that project are identified. Since the 406 measures are currently unknown, they cannot be accounted for in the Unmet Needs assessment and may lead to an increased cost-share amount in the future. An increased cost-share amount may require an amendment to the ER1 Program budget to account for those additional obligations.

Eligible Activities

HUD has determined that the aggregate of electrical power system improvements to be completed with CDBG-DR funds subject to 86 FR 32681 are critical factors of the region's long-term recovery from Hurricane María and its resilience to future weather events. As per the Federal Register Notice, HUD recognizes that the broad scope of these activities may limit the ability of grantees to categorize these CDBG-DR funds into discrete categories of CDBG eligibility and to appropriately assign a CDBG national objective to each component of the planned improvements.⁸

Therefore, eligible activities for the ~~Energy Grid Rehabilitation and Reconstruction (ER1) Cost Share~~ Program include:

Electrical Power Systems Improvements Activity

- HUD is waiving section 105(a) (42 U.S.C. § 5305(a)) of the HCDA and establishing an alternative requirement only to the extent necessary to create a new eligible activity, electrical power system improvements, which shall be applicable only for the grant-funded pursuant to this Action Plan.
- Under this activity, all uses of funds that meet the definition of electrical power system improvements and comply with the alternative requirements are both eligible under the waiver and alternative requirement and meet the statutory purpose of the funds.
- This activity includes the use of funds for payment of the non-Federal share required in connection with a Federal grant-in-aid program undertaken as part of an activity that meets the definition of electrical power system improvements and otherwise complies with grant requirements.⁹
- Electrical power system improvements that can be demonstrated to have a public benefit may be installed or applied on private lands.

⁸ 86 FR 32681.

⁹ This ER1 Program may support FEMA, COR3, or PREPA's efforts to innovate in reconstruction. As for the non-Federal share, this Program will fund the subrecipient recommended approach while collaborating to address risks of climate change.

Electrical Power System Improvements

86 FR 32681, 32692 defines electrical power system improvements as the acquisition, construction, reconstruction, rehabilitation or installation of facilities, improvements, or other components that are undertaken to extend, upgrade, and otherwise enhance and improve the cost-effectiveness, reliability, efficiency, sustainability, or long-term financial viability of the grantee's electrical power system, including activities to increase the resilience of the electrical power system to future disasters and to address the impacts of climate change. This definition includes interim assistance and financing public or private acquisition for reconstruction or rehabilitation, and reconstruction or rehabilitation, of privately-owned property.

The refinancing or paying down of debt shall be eligible only for the purpose of acquiring a facility and only upon HUD's consultation with the Federal agencies that comprise the TCT, co-led by FEMA and DOE. This will be considered on a case-by-case basis.

Ineligible Activities

The definition of an electrical power system and the use of funds for electrical power system improvements shall not include ineligible activities as provided at 24 C.F.R. § 570.207, including costs for the operation and maintenance of the electrical power system improvements.

This definition and the use of funds for electrical power system improvements shall not include the use of CDBG-DR funds for the operation and maintenance costs of a public utility or the costs of fuel or energy purchase contracts in effect prior to the applicability date of the Notice.

National Objective

~~Electrical Power System Enhancements and Improvement programs funded by CDBG-DR assistance must meet one (1) of the two (2) national objectives. These are either the LMI or Urgent Need National Objective. However, for purposes of this allocation, documentation of LMI is distinct. Eligible activities will be considered to meet the LMI National Objective if at grant closeout least 70% of the funds, not including planning and administrative cost, meet one of the following criteria:~~

As detailed in 86 FR 32681, at least 70% of the aggregated CDBG-DR Energy funds allocated for electrical power system enhancements and improvements must benefit LMI persons. All electrical power system improvement activities funded through the ER1 Program must meet either the LMI or the UN National Objective specified at 24 C.F.R. § 570.483 or otherwise provided for by waiver or alternative requirement as published in 86 FR 32681.

- Benefit to LMI persons:¹⁰
 - Eligible activities will be considered to meet the criteria for activities benefitting LMI persons—area benefit activities at 24 C.F.R. §570.483(b)(1)—if at grant closeout at least 70% of the funds, not including planning and administrative costs, have been used to:
 - Provide at least 51% of the grantee's ~~low and moderate income~~ LMI residents with either a subsidized rate for electricity below that charged to other residential ratepayers or a lower rate for electricity than was charged before complete implementation of the CDBG-DR funding electrical power system improvements; or
 - Measurably improve the reliability of the electrical power system in ~~low and moderate income~~ LMI areas that are primarily residential. Measurably improved reliability shall mean a documented decrease in power supply interruptions, excluding planned interruptions and interruptions caused by major events.
- Meet an UN:
 - PRDOH may also use CDBG-DR funds allocated to meet the UN national objective for addressing community development needs having a particular urgency because existing conditions pose a serious and immediate threat to the health or welfare of the community, that the unit of general local government is unable to finance the activity on its own, and other financial resources are not available to meet such needs, pursuant to the waiver and alternative requirements provided by HUD in 86 FR 32681.
 - The provisions of 24 C.F.R. §570.483(d) are waived at 86 FR 32681 and replaced with the alternative requirement to document how the activity: (i) Responds to and addresses a disaster-related impact as identified in the Action Plan Unmet Needs Assessment.

Eligibility Criteria

Projects must meet a National Objective and accomplish a CDBG Electrical Power System Improvement eligible activity as well as all requirements under the Program. Eligible projects to the ~~Energy Grid Rehabilitation and Reconstruction (ER1) Cost Share~~ Program will be those that were determined as eligible under FEMA or the Federal Agency acting as the primary source of funding to participate in the program.

Environmental Review

Environmental reviews completed by FEMA or any other federal agency may be adopted, without review or public comments, to satisfy HUD's environmental review requirements, but only if: (1) that review was completed for assistance under Sections

¹⁰ For purposes of this allocation, documentation of LMI is distinct. To document compliance with this National Objective criterion, a grantee's policies and procedures shall provide for the measurement of improved reliability in LMI areas that are primarily residential, using relevant legal and regulatory standards, as amended from time to time, including those identified by Puerto Rico Act 17-2019; FEMA Section 1235(b) of DRR "Consensus-Based Codes and Standards"; RUS Bulletins for Electric Power; Institute of Electrical and Electronics Engineers (IEEE) standards and guidance; EPA environmental protections; and, as appropriate; and NERC standards and guidance.

402, 403, 404, 406, 407, or 502 of the Stafford Act; (2) the CDBG-DR assistance supplements the Stafford Act funding; and (3) the other agency's environmental review covers all project activities funded by the CDBG-DR grantee.¹¹

If CDBG-DR or other funds are being used for project activities that exceed the scope of another federal agency's review for a project funded under the Stafford Act, or if CDBG-DR funds are being used to match non-Stafford Act funds for a project already reviewed by another federal agency, a new review must be performed. However, the information contained within the prior review may be used in the new review.

If FEMA's or another federal agency's review cannot be adopted, consultation with pertinent state and federal regulatory and resource management agencies will be conducted as part of the NEPA process to ensure compliance with all applicable environmental laws and requirements. Interagency coordination through consultation with the TCT will also be conducted as part of the NEPA process to ensure consistent definition and evaluation of the scope of the proposed projects, establish appropriate cooperation/collaboration roles in the development of the corresponding environmental documents at the required level of review, and agree on procedures to complete the environmental review as efficiently and expeditiously as possible.

The federal environmental review requirements for the Eligible projects under the ER1 Program scenario (cost share) will adopt the FEMA Environmental Review process, as authorized under the Appropriations Act, for the purpose of complying with the requirements of NEPA. Environmental reviews completed by another federal agency may be adopted when necessary, based on the particular circumstances of the case. PRDOH will submit the decision in writing to HUD stipulating the adoption of FEMA's environmental review process. PRDOH's notification to HUD of the decision to adopt FEMA's environmental review must be stated on a RROF/C Form 7015.15, and no project funds will be committed until PRDOH receives the corresponding AUGF Form 7015.16 from HUD. Simultaneously, PRDOH will submit the decision in writing to HUD stipulating the adoption of FEMA's environmental review process. Notwithstanding, PRDOH will comply with the state environmental review process enacted by the Puerto Rico Environmental Public Policy Act (Act 416).

Method of Distribution

Subrecipient Distribution Model

The Energy Grid Rehabilitation and Reconstruction (ER1) Cost Share Program is a central government-managed program that utilizes the Subrecipient Distribution Model as needed for specific projects. To achieve the objectives of this program, PRDOH will work closely with COR3 and other governmental agencies and applicants who are FEMA program subrecipients to provide their non-federal match. PRDOH will coordinate directly with that agency or the Puerto Rico agency administering federal grant-in-aid

¹¹ See HUD Notice CPD-20-10: Implementation Guidance for Use of CDBG-DR Funds as Non-Federal Cost Share for FEMA's Public Assistance Program, issued on October 14, 2020; <https://www.hud.gov/sites/dfiles/OCHCO/documents/2020-10cpdn.pdf>.

funds and its relevant applicants for any match agreements with federal agencies other than FEMA. Applicants must have been accepted into a Federal agency disaster recovery program and have been determined by the lead Federal agency to have eligible projects to participate in this program.

PRDOH will pursue implementing a Flexible Match approach for the PREPA FFAST award to ease the administrative burden and expedite the recovery, for which PREPA will be the Subrecipient. The Flexible Match approach seeks to streamline the cost-share match process by selecting specific projects within an overall Project Worksheet (**PW**). Costs for specifically selected projects will be covered 100% by CDBG-DR, up to the total corresponding cost share amount for the entirety of the PW.

Program Objective & Description

The purpose of this program is to maximize the benefit of federal grant programs by positioning CDBG-DR as the ideal local match program to other federal funding streams. This approach will relieve the financial burden related to the recovery efforts of Puerto Rico's Electrical Grid and Puerto Rico's long-term infrastructure resilience needs. Through the matching of funding provided by other federal agencies, critical infrastructure needs will be addressed making the Island more adaptable to changing conditions and able to withstand and recover rapidly from disruptions caused by future disasters.

At this time, most long-term reconstruction projects are still in preparation. As a result, the exact amount of CDBG-DR funds necessary to meet the entire universe of non-federal match requirements is still being assessed.

PRDOH will collaborate with COR3 ~~on~~ to develop long-term natural hazards resilience strategies and identify how infrastructure investments align with other planned Puerto Rican or local capital improvements.

ER1 Program Project Evaluation and Selection by Budget Distribution and Functional Groupings

The ER1 Program has a 10% cost-share requirement for all eligible projects. Appendix H.1 discusses in detail the method, types of projects, and criteria to be used in the evaluation and selection of projects under the ER1 Program. Project funding will be prioritized based on the direct benefit that they may provide to LMI persons and vulnerable populations, as they become available for funding after authorization and approval by FEMA and/or PREB.

Appendix H.1 includes a list of the electrical grid improvement and enhancement projects that may be eligible and potentially be selected for funding under the ER1 Program. The ~~selection of projects under the ER1 Program will be~~ select projects based on their capacity to ~~those that~~ increase reliability, quality, and durability of electrical infrastructure for LMI persons or otherwise meet the requirement that at least 70% of the grant will benefit those persons.

The Appendix H.1 also includes a table of FEMA and PREB approved projects that may be eligible under each functional grouping of ER1, as described in the Action Plan. The table of potential projects for the Substations, Distribution and Transmission, and Enabling Technologies functional groupings have been identified from a list of projects submitted for approval by LUMA to the PREB.¹² For the Central Power Generation Functional Grouping table, the list of potential projects are those approved and reported by FEMA.¹³

Since grid service reliability and/or affordability are the key outcomes of the ER1 Program, and because of the interconnected nature of the Electrical Power System of Puerto Rico that will be funded, the predominantly LMI Areas of the Island stand to be benefited by these improvements. Consequently, the funded projects across all functional groupings for ER1 will successfully meet the criteria of the LMI Area Benefit National Objective.

¹² See, Exhibit2_2022-08-10_Project-Listing under PREB Orders and Resolutions, Docket Number: NEPR-MI-2021-0002, In Re: Review of the Puerto Rico Electric Power Authority's 10 Year Infrastructure Plan- December 2020, FEMA Approved Tab, available at https://energia.pr.gov/wp-content/uploads/sites/7/2022/08/Exhibit2_2022-08-10_Project-Listing.xlsx. The list was extracted as of August 10, 2022, and is subject to change as additional projects are evaluated and approved. The list does not include the Central Power Generation functional grouping projects, as they are approved by FEMA and reported on their website.

¹³ The Central Power Generation Functional Grouping Projects are approved and reported by FEMA and can be accessed at: <https://www.fema.gov/about/reports-and-data/faast>.

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