

Appendix II
PRIOR YEARS' ADDITIONAL SUBSIDIZATION APLICABLE REGULATION

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ADDITIONAL SUBSIDIZATION

Fiscal Year 2012

The FY 2012 Consolidated Appropriations Act (P.L. 112-74) (Appropriation Act) required the States to provide not less than 30 percent in additional subsidies, to recipients in the form of forgiveness of principal, negative interest loans, or grants (or any combination of these) to any “eligible recipients” of DWSRF assistance.

In targeting additional subsidies, Puerto Rico provided not less than 20% (\$1,795,000) but not more than 30 percent (\$2,638,500) of the FY 2012 capitalization grant to provide additional subsidization in the form of principal forgiveness and zero percent interest rate (0%) , as established in the EPA Memorandum Procedures for Implementing Certain Provisions of EPA’s Fiscal Year 2012 Appropriations Affecting the Clean Water and Drinking Water State Revolving Fund Programs. For this fiscal year DOH will not exceed 30%. The recipient of the grant must identify projects within at least one of the following categories in order to receive the additional subsidies:

- a) projects that will eliminate or consolidate small system,
- b) projects that support sustainable systems and help build or maintain the technical, financial and managerial capacity of the recipient,
- c) systems related to communities or serving directly a community that could not otherwise afford the DWSRF loan including Disadvantaged communities as defined by the Commonwealth.

If the recipient had projects that could be identified under one or more of the above-mentioned categories, for each additional remaining category the percent would increase by 5%. The subsidy will be awarded to eligible recipients as follows:

- a. to project(s) by priority order and the qualifying category and until the subsidized amount is completely used.
- b. In the case that there is only one recipient the subsidized amount could be awarded in any of the following manners and until the subsidized amount is completely used.
- c. To project(s) by priority order and the qualifying category
- d. directly to the project(s) identified within the qualifying categories
- e. the project(s) first received and ready to go
- f. The most expensive project(s)

For fiscal year 2012 Puerto Rico awarded or provided \$1,795,000 or 20% of its Capitalization Grant as additional subsidy to the Las Marias – Phase II-B project, which would be in the form of principal forgiveness and zero percent interest rate (0%) and subject to compliance with the regulations at 40CFR Part 31. It is important to know that in order to comply with the

Unliquidated Obligations Reduction Strategy (ULO's) requested by EPA, a redistribution of funds was approved to PRASA in January 2017 in order to respond to the need of assigning those funds to projects that could use them in an expeditious way. All the subsidy funds were reassigned to the Juncos-Valenciano WTP. The following table show the additional subsidization as revised based on the ULOs.

PROJECTS RECEIVING ADDITIONAL SUBSIDIZATION DURING FISCAL YEAR 2012								
Recipient Name*	Total SRF Assist.	Project Name	Project ID No.	Project Location	Type of Additional Subsidy	Amount of Additional Subsidy	Y/N^	Pop.
PRASA*	\$7,814,489	Juncos-Valenciano WTP	5166 (a)	Juncos, PR	0% interest rate/principal forgiveness	\$1,795,00	N	52,500
*PRASA = Puerto Rico Aqueduct and Sewer Authority								
^ Would the recipient have been able to afford a loan without the additional subsidy?								

The requirements and conditions provided under the FY 2012 Consolidated Appropriations Act (P.L. 112-74) were carried over by the Continuing Resolution (P.L. 112-175) that extends from October 1, 2012 to March 27, 2013. However, the FY 2012 Consolidated Appropriations Act (PL 112-74) are now carried over by the Consolidated and Further Continuing Appropriations Act of 2013 (PL 113-6) for the complete FY 2013. These procedures address the implementation of the requirements and set forth administration priorities. Thus, changes to the requirements of the Program regarding additional subsidization, the green project reserve and the Davis Bacon requirements can be appreciated in these procedures. During fiscal year 2012 the additional requirements affecting the DWSRF Program, related to Additional Subsidization, Green Reserve, Davis-Bacon, and Reporting would prevail with variations.

Fiscal Year 2013

For FY 2013, they required the States to provide additional subsidies of not less than 20 percent but no more than 30 percent of the funds that are available, to recipients in the form of forgiveness of principal, negative interest loans, or grants (or any combination of these) to any "eligible recipients" of DWSRF assistance.

In fact, for fiscal year 2012-13 Puerto Rico awarded or provided \$2,526,300 or 20% of its Capitalization Grant as additional subsidy to the Coto Laurel Water Treatment Plant project, which would be in the form of principal forgiveness and zero percent interest rate (0%) and subject to compliance with the regulations at 40CFR Part 31. It is important to know that in order to comply with the Unliquidated Obligations Reduction Strategy (ULO's) requested by EPA, a redistribution of funds was approved to PRASA in January 2017 in order to respond to the need of assigning those funds to projects that could use them in an expeditious way. All the subsidy funds were reassigned to the Juncos-Valenciano WTP. The following table show the additional subsidization as revised based on the ULOs.

PROJECTS RECEIVING ADDITIONAL SUBSIDIZATION DURING FISCAL YEAR 2013								
Recipient Name*	Total SRF Assistance	Project Name	Project ID No.	Project Location	Type of Additional Subsidy	Amount of Additional Subsidy	Y/N^	Pop.
PRASA*	\$2,526.300	Juncos-Valenciano WTP	5166 (a)	Juncos, PR	0% interest rate/principal forgiveness	\$2,526,300	N	52,500
*PRASA = Puerto Rico Aqueduct and Sewer Authority								
^ Would the recipient have been able to afford a loan without the additional subsidy?								

Notwithstanding that the Capitalization Grant was approved as of September 28, 2013, we have undertaken the reporting on this provision.

Fiscal Year 2014

The Consolidated Appropriations Act, 2014 (P.L. 113-76) Provided further, "That not less than 20 percent but not more than 30 percent of the funds made available under this title to each State for Clean Water State Revolving Fund capitalization grants and not less than 20 percent but not more than 30 percent of the funds made available under this title to each State for Drinking Water State Revolving Fund capitalization grants shall be used by the State to provide additional subsidy to eligible recipients in the form of forgiveness of principal, negative interest loans, or grants (or any combination of these), and shall be so used by the State only where such funds are provided as initial financing for an eligible recipient or to buy, refinance, or restructure the debt obligations of eligible recipients only where such debt was incurred on or after the date of enactment of this Act."

In fact, Puerto Rico established the amount of \$1,769,000 or 20% as additional subsidy from fiscal year 2014 Capitalization Grant. This subsidy was initially assigned in the form of principal forgiveness and zero percent interest rate (0%) to the Jayuya Urbano WTP (\$1,006,000) and the Fajardo WTP (\$763,000). It is important to know that in order to comply with the Unliquidated Obligations Reduction Strategy (ULO's) requested by EPA, two funds' redistributions were approved to PRASA in December 15, 2015 and in January 2017 in order to respond to the need of assigning those funds to projects that could use them in an expeditious way. The subsidy funds were reassigned to Juncos-Valenciano WTP, Guayama Urbano WTP and Hatillo-Camuy-Quebradillas WTP, in compliance with the regulations at 40CFR Part 31. The following table show the additional subsidization as revised based on the ULOs.

PROJECTS RECEIVING ADDITIONAL SUBSIDIZATION DURING FISCAL YEAR 2014								
Recipient Name*	Total SRF Assistance	Project Name	Project ID No.	Project Location	Type of Additional Subsidy	Amount of Additional Subsidy	Y/N ^	Pop.
PRASA*	\$2,397,257.02	Juncos-Valenciano WTP	5166 (a)	Juncos, PR	0% interest rate/principal forgiveness	\$85,677.02	N	52,500
	\$2,065,895	Guayama Urbano WTP	4745 (a)	Guayama, PR	0% interest rate/principal forgiveness	\$701,634.00	N	14,752
	\$981,688.98	Hatillo-Camuy-Quebradillas	2662 (c)	Camuy, PR	0% interest rate/principal forgiveness	\$981,688.98	N	80,189
Total 2014 subsidy						\$1,769,000		
*PRASA = Puerto Rico Aqueduct and Sewer Authority								
^ Would the recipient have been able to afford a loan without the additional subsidy?								

Fiscal Year 2015

For several years DOH has been able to provide additional subsidies. Up to fiscal year 2014, the amount of \$24.8 million under this reserve has been provided in order to avail the construction of infrastructure, as well as a counteraction to the global economic distress/rescission.

In targeting additional subsidies, Puerto Rico provided 25 percent of the FY 2015 capitalization grant and in accordance to the rescission notification, to provide additional subsidization in the to recipients in the form of forgiveness of principal, negative interest loans, or grants (or any combination of these), to any eligible recipient of DWSRF, as established in the EPA Memorandum Procedures for Implementing Certain Provisions of EPA's Fiscal Year 2012 Appropriations Affecting the Clean Water and Drinking Water State Revolving Fund Programs, carried over by the Continuing Resolution (P.L. 112-175), which are in turn now carried over by the Consolidated and Further Continuing Appropriations Act of 2013 (PL 113-6) and by the Consolidated Appropriations Act, 2014 (P.L. 113-76). For this fiscal year DOH will not exceed 30%. The recipient of the grant must identify projects within certain categories as defined by the Commonwealth. See section 8.2.4 of the Intended Use Plan.

In fact, for fiscal year 2015 Puerto Rico awarded or provided \$2,196,750 or 25 percent of its 2015 Capitalization Grant and in accordance to the rescission notification, as additional subsidy, which will be in the form of principal forgiveness and zero percent interest rate (0%) and they will be subject to compliance with the regulations at 40CFR Part 31. The following projects were benefited from this subsidy: Caguas Norte FP, Guayama Urbano WTP, Arcibo-Esperanza WTP, Morovis Sur WTP, and Caguas Sur WTP. It is important to know that due to the ULO's Reduction Strategy the 2014 IUP funds have been redistributed and/or reassigned. This included total amount available for projects as well as total amount available for subsidy. Nevertheless, no project has been deleted or bypassed from the Priority List. No significant changes have been

made; nonetheless, the corresponding public notification related to the ULO's Reduction Strategy was issued.

PROJECTS RECEIVING ADDITIONAL SUBSIDIZATION DURING FISCAL YEAR 2015								
Recipient Name*	Total SRF Assistance	Project Name	Project ID No.	Project Location	Type of Additional Subsidy	Amount of Additional Subsidy	Y/N^	Pop.
PRASA*	\$216,218	Caguas Norte FP	5086	Caguas, PR	0% interest rate/principal forgiveness	\$216,218	N	140,500
	\$644,778	Guayama WTP	5306	Guayama, PR	0% interest rate/principal forgiveness	\$644,778	N	14,752
	\$109,208	Arecibo WTP	2792	Arecibo, PR	0% interest rate/principal forgiveness	\$109,208	N	3,700
	\$1,076,952	Morovis Sur WTP	2762	Morovis, PR	0% interest rate/principal forgiveness	\$996,546	N	14,750
	\$230,000	Caguas Sur FP		Caguas, PR	0% interest rate/principal forgiveness	\$230,000	N	34,000
Total 2015 subsidy						\$2,196,750		
*PRASA = Puerto Rico Aqueduct and Sewer Authority								
^ Would the recipient have been able to afford a loan without the additional subsidy?								

Fiscal Year 2016

The Commonwealth of Puerto Rico used as guidance for the FY 2016 capitalization grant request and related documents, the H. R. 2029 P.L. 114-113 Consolidated Appropriation Act 2016 (hereinafter referred to as the "Consolidated 2016") and the Continuing Appropriation Act, 2016, (P.L. 114-53) signed on December 18, 2015, which provides fiscal year 2016 full year appropriation through September 30, 2016, including funding for the Environmental Protection Agency. Section 424 of this law contains the same requirements for American Iron and Steel Products (AIS) that was included in the Consolidated and Further Continuing Appropriations Act, (P.L.113-235) and the Consolidated Appropriation Act, 2014 (P.L. 113-76). The previous two appropriations acts included the "American Iron and Steel" requirements that recipients of the DWSRF assistance are to use iron and steel products that are produce in the United States for project for the construction, alteration, maintenance or repair of a public water system if the project is funded through an assistance agreement executed starting January 16, 2014 through September 30, 2015. All assistance agreements starting October 1, 2015 through September 30, 2016 must include the AIS requirements. All AIS guidance issued for FY 2014 and 2015 will continue to be applicable through the same time period. Memorandum of February 3, 2016 EPA-Washington DC will remain in place for the time period of October 1, 2015 through September 30, 2016 and will continue in force under any continuing resolution that use similar language as Section 424 of the "Consolidated Appropriations Act, 2016". This Act (the Consolidated 2016)

addresses, applicable to Puerto Rico, the green project reserve (GPR) and the additional subsidy. The Consolidated 2016 carried over all guidance issued by the previous Appropriation Acts, with the exception of the per cent to be awarded as subsidy. This per cent for the FY 2016 capitalization grant is limited to 20%. These procedures address the implementation of the requirements and set forth administration priorities. Thus, changes to the requirements of the Program regarding additional subsidization, the green project reserve and the Davis Bacon requirements can be appreciated in these procedures. During this current fiscal year, the additional requirements affecting the DWSRF Program, related to Additional Subsidization, Green Reserve, Davis-Bacon, and Reporting will prevail with variations.

In targeting additional subsidies, Puerto Rico will provide 20 percent or \$1,662,400 of the FY 2016 capitalization grant to provide additional subsidization in the form of principal forgiveness and zero percent interest rate (0%), as established in the EPA Consolidated 2016. The recipient of the grant must identify projects within certain categories as defined by the Commonwealth.

In fact, for this fiscal year 2016 Puerto Rico will be awarding or providing \$1,662,400 or 20 percent of its 2016 Capitalization Grant as additional subsidy, which will be in the form of principal forgiveness and zero percent interest rate (0%) and they will be subject to compliance with the regulations at 40CFR Part 31. The Juncos-Valenciano project will benefit from this subsidy.

PROJECTS RECEIVING ADDITIONAL SUBSIDIZATION DURING FISCAL YEAR 2016								
Recipient Name*	Total SRF Assistance	Project Name	Project ID No.	Project Location	Type of Additional Subsidy	Amount of Additional Subsidy	Y/N^	Pop.
PRASA*	\$5,000,000	Juncos-Valenciano WTP	5166 (a)	Juncos, PR	0% interest rate/principal forgiveness	\$1,662,400	N	52,500

*PRASA = Puerto Rico Aqueduct and Sewer Authority

^ Would the recipient have been able to afford a loan without the additional subsidy?

Fiscal Year 2017

The Commonwealth of Puerto Rico will use as guidance for the FY 2017 Intended Use Plan, the H. R. 2029 P.L. 114-113 Consolidated Appropriation Act 2016 (hereinafter referred to as the "Consolidated 2016") and the Continuing Appropriation Act, 2016, (P.L. 114-53) signed on December 18, 2015, which provides fiscal year 2016 full year appropriation through September 30, 2016, including funding for the Environmental Protection Agency. These Appropriations will be carried over by the Continuing Resolution through April 28, 2017, as indicated by the Environmental Protection Agency (EPA) on letter dated April 11, 2017. The FY 2017 omnibus appropriations bills funds the government for the rest of the fiscal year (through September 30), extending thus, the April 28, 2017 deadline. Section 424 of this law contains the same requirements for American Iron and Steel Products (AIS) that was included in the Consolidated and Further Continuing Appropriations Act, (P.L.113-235) and the Consolidated Appropriation Act, 2014 (P.L. 113-76). The previous two appropriations acts included the "American Iron and

Steel” requirements that recipients of the DWSRF assistance are to use iron and steel products that are produce in the United States for project for the construction, alteration, maintenance or repair of a public water system if the project is funded through an assistance agreement executed starting January 16, 2014 through September 30, 2015. All assistance agreements starting October 1, 2015 through September 30, 2016 must include the AIS requirements. All AIS guidance issued for FY 2014 and 2015 will continue to be applicable through the same time period. Memorandum of February 3, 2016 EPA-Washington DC will remain in place for the time period of October 1, 2015 through September 30, 2065 and will continue in force under any continuing resolution that use similar language as Section 424 of the “Consolidated Appropriations Act, 2016”. This Act (the Consolidated 2016) carried over by the Continuing Resolution through April 28, 2017, as indicated by the Environmental Protection Agency (EPA) on letter dated April 11, 2017, addresses, applicable to Puerto Rico, the green project reserve (GPR) and the additional subsidy. The Consolidated 2016 carried over all guidance issued by the previous Appropriation Acts, with the exception of the per cent to be awarded as subsidy. This per cent for the FY 2017 capitalization grant is limited to 20%. It is important to know that during FY 2016 the DWSRF was subject to a cut-off. As of January 2017, this cut-off has been partially eliminated and only under the DWSRF the electronic funds transfer mechanism is allowed for funds that do no need to be repaid, thus, the set aside funds are available and for projects only the subsidy portion. Currently no repayment funds are available. These procedures address the implementation of the requirements and set forth administration priorities. Thus, changes to the requirements of the Program regarding additional subsidization, the green project reserve and the Davis Bacon requirements can be appreciated in these procedures. During this current fiscal year, the additional requirements affecting the DWSRF Program, related to Additional Subsidization, Green Reserve, Davis-Bacon, and Reporting will prevail with variations.

In targeting additional subsidies, Puerto Rico will provide 20 percent or \$1,648,200 of the FY 2017 capitalization grant to provide additional subsidization in the form of grant, as established in the EPA Consolidated 2017. The recipient of the grant must identify projects within certain categories as defined by the Commonwealth.

In fact, for this fiscal year 2017 Puerto Rico will be awarding or providing \$1,642,000 or 20 percent of its 2017 Capitalization Grant as additional subsidy, which will be in the form of grant and they will be subject to compliance with the regulations at 40CFR Part 31. The Juncos-Valenciano project will benefit from this subsidy.

PROJECTS RECEIVING ADDITIONAL SUBSIDIZATION DURING FISCAL YEAR 2017								
Recipient Name*	Total SRF Assistance	Project Name	Project ID No.	Project Location	Type of Additional Subsidy	Amount of Additional Subsidy	Y/N^	Pop.
PRASA*	\$4,000,000	Juncos-Valenciano WTP	5166 (a)	Juncos, PR	0% interest rate/principal forgiveness	\$1,648,200	N	52,500

*PRASA = Puerto Rico Aqueduct and Sewer Authority

^ Would the recipient have been able to afford a loan without the additional subsidy?

Fiscal Year 2018

We have to point out the Bipartisan Budget Act of 2018 in its Administrative Provision/Environmental Protection Agency states that as part of a disaster declaration related to Hurricanes Irma and María, “the state or territory shall utilize the full amount of funds allotted, excluding existing loans: “to provide additional subsidization to eligible recipients in the form of forgiveness of principal, negative interest loans or grants or any combination of these: Provided further, That such funds may be used for eligible projects whose purpose is to repair damage incurred as a result of Hurricanes Irma and Maria, reduce flood damage risk and vulnerability or to enhance resiliency to rapid hydrologic change or a natural disaster at treatment works as defined by section 212 of the Federal Water Pollution Control Act or a public drinking water system under section 1452 of the Safe Drinking Water Act: Provided further, That any project involving the repair or replacement of a lead service line shall replace the entire lead service line, not just a portion.”

In targeting additional subsidies, for this fiscal year Puerto Rico will provide a total of \$9,585,500, detailed as follows:

- Mandatory 20% or \$2,221,400;
- 30% or \$3,332,100 (1452(d)) disadvantage communities); and
- Mandatory Bipartisan Budget Act of 2018 *or* \$4,032,000.

The Bipartisan states in regard to the declaration of disaster related to Hurricanes Irma and María, the additional subsidization ceiling could be the total capitalization grant minus set-asides taken. According to the Bipartisan Budget Act of 2018, the state or territory shall utilize the full amount of such funds, excluding loans to provide the additional subsidization. This full amount is referenced as amounts previously appropriated for capitalization grants. The recipient of the grant must identify projects within certain categories as defined by the Commonwealth. See section 8.2.4 of this IUP.

As previously mentioned, based on the provisions of the Consolidated 2018 and the Bipartisan, DOH’s determination for this fiscal year Puerto Rico is to award or provide \$9,585,500 as additional subsidy, which will be in the form of principal forgiveness and zero percent interest rate (0%) and they will be subject to compliance with the regulations at 40CFR Part 31.

The following table shows the projects that will be benefited from the subsidies.

Recipient Name*	Total SRF Assistance	Project Name	Project ID No.	Project Location	Type of Additional Subsidy	Amount of Additional Subsidy	Y/N^	Pop
PRASA*	\$961,000	Corozal Urbana	5487	Corozal, PR	0% interest rate/principal forgiveness	\$961,000	N	6,363
	\$2,000,000	Juncos-Valenciano	5166 (a)	Juncos, PR	0% interest rate/principal forgiveness	\$2,000,000	N	52,500
	\$1,800,000	Ponce Vieja WTP	3824 (a)	Ponce, PR	0% interest rate/principal forgiveness	\$1,800,000	N	170,075
	\$500,000	Ponce Nueva WTP	3824 (b)	Ponce, PR	0% interest rate/principal forgiveness	\$500,000	N	170,075
	\$2,000,000	Culebrinas WTP, Ph II	3293 (a)	Aguadilla, PR	0% interest rate/principal forgiveness	\$2,000,000	N	142,486
	\$500,000	Enrique Ortega (La Plata) FP	2591 (f)	Toa Alta, PR	0% interest rate/principal forgiveness	\$279,920	N	291,000
	\$1,800,000	Culebrinas WTP, Ph I	3293 (b)	Aguadilla, PR	0% interest rate/principal forgiveness	\$1,800,000	N	142,486
	\$294,580	Añasco Water Intake	3283 (b)	Añasco, PR	0% interest rate/principal forgiveness	\$294,580	N	88,144
Total						\$9,585,500		
*PRASA = Puerto Rico Aqueduct and Sewer Authority								
^ Would the recipient have been able to afford a loan without the additional subsidy?								

Fiscal Year 2019

The Continuing Appropriations for FY 2019 states that “20 per cent of the funds made available under this title to each State for Drinking Water State Revolving Fund capitalization grants shall be used by the State to provide additional subsidy to eligible recipients in the form of forgiveness of principal, negative interest loans, or grants (or any combination of these), and shall be so used by the State only where such funds are provided as initial financing for an eligible recipient or to buy, refinance, or restructure the debt obligations of eligible recipients only where such debt was incurred on or after the date of enactment of this Act, or where such debt was incurred prior to the date of enactment of this Act if the State, with concurrence from the Administrator, determines that such funds could be used to help address a threat to public health from heightened exposure to lead in drinking water or if a Federal or State emergency declaration has been issued due to a threat to public health from heightened exposure to lead in a municipal drinking water supply before the date of enactment of this Act: Provided further, That in a State in which such an emergency declaration has been issued, the State may use more than 20 percent of the funds made available under this title to the State for Drinking Water State Revolving Fund capitalization grants to provide additional subsidy to eligible recipients.”

In regard to the additional subsidization, we must indicate that, by law, there are two additional subsidies approved by the Congress that we will be using. We will be referencing one as the “Mandatory Congressional 20% Subsidy” which will be awarded with zero per cent (0.0%) of interest rate and principal forgiveness and the second as the “Limited 35% Subsidy” which will be awarded as a loan.

Therefore, in targeting the additional subsidies, in first instance, Puerto Rico will provide 20 percent or \$2,200,800 of the FY 2019 capitalization grant awarded as a subsidy with zero per cent (0.0%) of interest rate and principal forgiveness, within others, and will be subject to compliance with the regulations at 40CFR Part 31, as established in the EPA Continuing Appropriations for FY 2019. See section 8.2.4 of the 2019 IUP. The recipient of the grant must identify projects within certain categories as defined by the Commonwealth.

Another additional subsidization is the subsidy under disadvantage community that we will be referencing in the IUP as the “Limited 35% Subsidy/Disadvantaged Community”. It is important to point out that Section 1452(d) of the Safe Drinking Water Act (SDWA), related to the disadvantaged community assistance was amended by AWIA §2015(c): Assistance for Disadvantaged Communities.

Since FY 2019 with the enactment of the AWIA 2018, a minimum of six (6) per cent was established, thus it is no longer totally optional although this per cent is limited or it is subject to the availability of sufficient loan applications, which are eligible or meet the definition. Now also for fiscal year 2019, in accordance with AWIA, States are required to provide additional subsidies of not less than 6 percent but no more than 35 percent of the capitalization grant amount for additional subsidy for state-defined Disadvantaged Communities and to the extent that there are sufficient applications for loans to communities that meet the definition of disadvantaged.

With the AWIA §2020 provisions for additional subsidization in the assistance for areas affected by natural disasters after January 1, 2017 were addressed. This subsection states that, in general, “an eligible State may use funds provided pursuant to subsection (1) to provide assistance to an eligible system within the eligible State/or the purpose of restoring or increasing compliance with national primary drinking water regulations in an underserved area. Also, it also indicates that an eligible system shall be eligible to receive loans with additional subsidization (including forgiveness of principal, negative-interest loans, or grants (or any combination thereof)) for the purpose described in paragraph (1) of the subsection.

For fiscal year 2019 this subsidy is also in second instance established ranging from \$660,240 or 6% to \$3,851,400.00 or 35% for disadvantage communities, in accordance with AWIA.

Recipient Name*	Total SRF Assistance	Project Name	Project ID No.	Project Location	Type of Additional Subsidy	Amount of Additional Subsidy	Y/N^	Pop
PRASA*	\$73,377	Corozal Urbana	5487	Corozal, PR	0% interest rate /principal forgiveness	\$73,377	N	6,363
	\$3,171,400	Coto Laurel WTP	4524 (a)	Ponce, PR	0% interest rate /principal forgiveness	\$2,127,433	N	14,060
*PRASA = Puerto Rico Aqueduct and Sewer Authority ^ Would the recipient have been able to afford a loan without the additional subsidy?								

Fiscal Year 2020

The Further Consolidated Appropriations Act, 2020 requires that: “States must use 14 percent of the funds made available in the 2020 DWSRF capitalization grant to provide additional subsidization to eligible recipients in the form of forgiveness of principal, negative interest loans, or grants (or any combination of these) to be used: (1) where such funds are provided as initial financing for an eligible recipient or to buy, refinance, or restructure the debt obligations of eligible recipients only where such debt was incurred after December 20, 2019, or (2) where such debt was incurred prior to December 20, 2019, if (a) the state, with concurrence from the EPA Region, determines that such funds could be used to help address a threat to public health from heightened exposure to lead in drinking water, or (b) a federal or state emergency declaration has been issued due to a threat to public health from heightened exposure to lead in a municipal drinking water supply before December 20, 2019.”

From fiscal year 2016 to FY 2019 States were required to provide twenty percent (20%) of the capitalization grant amount in additional subsidies. Now, for fiscal year 2020, a fourteen percent (14%) is required to provide additional subsidy.

Therefore, in targeting the additional subsidies, in first instance, Puerto Rico will provide fourteen percent (14%) or \$1,541,540 of the FY 2020 capitalization grant awarded as a subsidy with zero per cent (0.0%) of interest rate and principal forgiveness, within others, and will be subject to compliance with the regulations at 40CFR Part 31, as established in the EPA and the Further Consolidated, 2020.

"Mandatory Congressional 14% Subsidy"								
Recipient Name*	Total SRF Assistance	Project Name	Project ID No.	Project Location	Type of Additional Subsidy	Amount of Additional Subsidy	Y/N^	Pop
PRASA*	\$1,541,540	Ponce Vieja WTP	3824 (a)	Ponce	0% interest rate/principal forgiveness	\$1,541,540	N	27,215
* PRASA = Puerto Rico Aqueduct and Sewer Authority ^ Would the recipient have been able to afford a loan without the additional subsidy?								

Another additional subsidization is the subsidy under disadvantage community that we will be referencing in this IUP as the “Limited 35% Subsidy/Disadvantaged Community”. It is important to point out that Section 1452(d) of the Safe Drinking Water Act (SDWA), related to the disadvantaged community assistance was amended by AWIA §2015(c): Assistance for Disadvantaged Communities. Under the Disadvantaged Community Additional Subsidy Authority, subsidies must be in the form of a loan (e.g., loans which include principal forgiveness, negative interest rate loans {40 CFR §35.3525(b)(1)}). This provision does not authorize grants. Further, fees included as principal in a loan cannot be assessed on a disadvantaged community receiving additional subsidy under the Disadvantaged Community Additional Subsidy authority {40 CFR §35.3525(b) (3)}.”

Now also for fiscal year 2020, in accordance with AWIA, States are required to provide additional subsidies of not less than 6 percent but no more than 35 percent of the capitalization grant amount for additional subsidy for state-defined Disadvantaged Communities and to the extent that there are sufficient applications for loans to communities that meet the definition of disadvantaged.

For fiscal year 2020 this subsidy is also in second instance established ranging from \$660,660 or 6% to \$3,853,850 or 35% for disadvantage communities, in accordance with AWIA.

Fiscal Year 2021

The Consolidated Appropriations Act, 2021 requires that: “States must use 14 percent of the funds made available in the 2021 DWSRF capitalization grant to provide additional subsidization to eligible recipients in the form of forgiveness of principal, negative interest loans, or grants (or any combination of these) to be used: (1) where such funds are provided as initial financing for an eligible recipient or to buy, refinance, or restructure the debt obligations of eligible recipients only where such debt was incurred after December 27, 2020, or (2) where such debt was incurred prior to December 27, 2020, if (a) the state, with concurrence from the EPA Region, determines that such funds could be used to help address a threat to public health from heightened exposure to lead in drinking water, or a federal or state emergency declaration has been issued due to a threat to public health from heightened exposure to lead in a municipal drinking water supply before December 27, 2020.”

From fiscal year 2016 to FY 2019 States were required to provide twenty percent (20%) of the capitalization grant amount in additional subsidies. Now, for fiscal years 2020 and 2021, a fourteen percent (14%) is required to provide additional subsidy.

Therefore, in targeting the additional subsidies, in first instance, Puerto Rico will provide fourteen percent (14%) or \$1,540,140 of the FY 2021 capitalization grant awarded as a subsidy with zero per cent (0.0%) of interest rate and principal forgiveness, within others, and will be subject to compliance with the regulations at 40CFR Part 31, as established in the EPA and the Consolidated, 2021.

"Mandatory Congressional 14% Subsidy"								
Recipient Name*	Total SRF Assistance	Project Name	Project ID No.	Project Location	Type of Additional Subsidy	Amount of Additional Subsidy	Y/N ^	Pop
PRASA*	\$1,540,140	Ponce Nueva WTP	3824 (b)	Ponce	0% interest rate/principal forgiveness	\$1,540,140	N	27,215
* PRASA = Puerto Rico Aqueduct and Sewer Authority ^ Would the recipient have been able to afford a loan without the additional subsidy?								

Another additional subsidization is the subsidy under disadvantage community that we will be referencing in this IUP as the "Limited 35% Subsidy/Disadvantaged Community". It is important to point out that Section 1452(d) of the Safe Drinking Water Act (SDWA), related to the disadvantaged community assistance was amended by AWIA §2015(c): Assistance for Disadvantaged Communities. Under the Disadvantaged Community Additional Subsidy Authority, subsidies **must be in the form of a loan** (e.g., loans which include principal forgiveness, negative interest rate loans {40 CFR §35.3525(b)(1)}. **This provision does not authorize grants**. Further, fees included as principal in a loan cannot be assessed on a disadvantaged community receiving additional subsidy under the Disadvantaged Community Additional Subsidy authority {40 CFR §35.3525(b) (3)}."

Now also for fiscal year 2021, in accordance with AWIA, States are required to provide additional subsidies of not less than 6 percent but no more than 35 percent of the capitalization grant amount for additional subsidy for state-defined Disadvantaged Communities and to the extent that there are sufficient applications for loans to communities that meet the definition of disadvantaged.

For fiscal year 2021 this subsidy is also in second instance established ranging from \$660,060 or 6% to \$3,850,350 or 35% for disadvantage communities, in accordance with AWIA. For this fiscal year DOH has established only 19.82% or \$2,180,000 of the total of 35% Limited Subsidy, assigned to the Termination of Corozal WTP project.

Fiscal Year 2022

Base Allotment

The Consolidated Appropriations Act, 2022 requires that: "States must use 14 percent of the funds made available in the 2022 DWSRF capitalization grant to provide additional subsidization to eligible recipients in the form of forgiveness of principal, negative interest loans, or grants (or any combination of these) to be used: (1) where such funds are provided as initial financing for an eligible recipient or to buy, refinance, or restructure the debt obligations of eligible recipients only where such debt was incurred after March 15, 2022, or (2) where such debt was incurred prior to March 15, 2022, if (a) the state, with concurrence from the EPA Region, determines that

such funds could be used to help address a threat to public health from heightened exposure to lead in drinking water, or a federal or state emergency declaration has been issued due to a threat to public health from heightened exposure to lead in a municipal drinking water supply before March 15, 2022.” As a reminder, from fiscal year 2016 to FY 2019 States were required to provide twenty percent (20%) of the capitalization grant amount in additional subsidies. Now, for fiscal years 2020, 2021 and 2022, a fourteen percent (14%) is required to provide additional subsidy.

Therefore, in targeting the additional subsidies, in first instance, Puerto Rico will provide fourteen percent (14%) or \$981,120 of the FY2022 capitalization grant awarded as a subsidy with zero percent (0.0%) of interest rate and principal forgiveness, within others, and will be subject to compliance with the regulations at 40CFR Part 31, as established in the EPA and the Consolidated, 2021. See section 8.2.4 of this IUP. The recipient of the grant must identify projects within certain categories as defined by the Commonwealth. For this fiscal year, the total amount of \$981,120 corresponding to the Mandatory Congressional 14% Subsidy was assigned as follows: \$500,000 to the New CT / Distribution Tank FP Corozal (Termination) project and \$481,120 to the Termination of Juncos-Valenciano project.

"Mandatory Congressional 14% Subsidy"								
Recipient Name*	Total SRF Assistance	Project Name	Project ID No.	Project Location	Type of Additional Subsidy	Amount of Additional Subsidy	Y/N ^	Pop
PRASA*	\$4,000,000	Cerro Márquez WDS	2652	Arecibo	0% interest rate/principal forgiveness	\$2,452,800	N	81,548
* PRASA = Puerto Rico Aqueduct and Sewer Authority								
^ Would the recipient have been able to afford a loan without the additional subsidy?								

Bipartisan Infrastructure Law, 2021 (BIL)

The BIL overrode what is in section 1452 (d) of the SDWA which stated that 12% to 35% should be used as additional subsidy for each year. Instead, there is only the disadvantaged community subsidy where the ceiling was “eliminated”. The BIL provides three dedicated funds to strengthen the nation’s drinking water systems addressing urgent water challenges for all communities especially disadvantaged communities. It includes three dedicated funds, and the additional subsidy varies, as follows:

BIPARTISAN INFRASTRUCTURE LAW, 2021 (BIL)		
FY 2022 - DWSRF APPROPRIATIONS		
Fund	Amount	Subsidy
General Supplemental Funding	\$17,992,000	\$8,816,080
Lead Service Lines Replacement	\$28,350,000	\$4,900,000
Emerging Contaminants	\$7,555,000	\$7,555,000*
Total	\$53,897,000	\$21,271,080
* This amount is awarded for two additional subsidies: the Congressional Additional Subsidy and the Disadvantage Community Subsidy.		

For the BIL general supplemental and the LSLR Grants the BIL states: *“Provided further, That for the funds made available under this paragraph in this Act, forty-nine percent of the funds made available to each State for Drinking Water State Revolving Fund capitalization grants shall be used by the State to provide subsidy to eligible recipients in the form of assistance agreements with 100 percent forgiveness of principal or grants (or any combination of these), notwithstanding section 1452(d)(2) of the Safe Drinking Water Act (42 U.S.C. 300j-12).”*

“For the BIL-EC grant all the funds must be used as additional subsidization minus any funds used to set aside. It also states that at least 25% of the additional subsidization must be provided to disadvantaged communities or systems that serve fewer than 25,000 people.”

Thus, as approved by the Congress, this Department we will be using the 49% or \$8,816,080 to be provided as Additional Subsidy of the General Supplemental funds, which will be awarded to eligible water systems recipients which meet the states disadvantaged community criteria in the form of assistance agreements with 100 percent forgiveness of principal and 0% interest rate.

“Disadvantage Community 49% Additional Subsidy”								
Recipient Name*	Total SRF Assistance	Project Name	Project ID No.	Project Location	Type of Additional Subsidy	Amount of Additional Subsidy	Y/N ^	Pop
PRASA*	\$4,000,000	Ponce Playa IVB - Ponce Urbano	3824 (c)	Ponce	0% interest rate/100% principal forgiveness	\$4,000,000	N	122,229
	\$1,635,611	Rio Cañas WDS, Mayagüez	3283(c)	Mayaguez	0% interest rate/100% principal forgiveness	\$1,635,611	N	151,538
	\$2,500,000	Vieques-Naguabo	5386 (b)	Naguabo	0% interest rate/100% principal forgiveness	\$2,500,000	N	82,557
	\$816,080	Penstock Carite II	4745 (b)	Guayama	0% interest rate/100% principal forgiveness	\$680,469	N	34,671
Total						\$8,816,080		
* PRASA = Puerto Rico Aqueduct and Sewer Authority								
^ Would the recipient have been able to afford a loan without the additional subsidy?								

