

EECBG Rebate Frequently Asked Questions

When do I need to use funds I receive from rebates associated with EECBG funds?

Rebates consist of incentives received by a grant recipient or subrecipient that are directly traceable to a cost incurred under a DOE-funded project (e.g., a recipient receives an incentive for purchasing a certain type of equipment or an incentive to defray the costs of installation). If, for example, a recipient purchases a solar hot water heater from a vendor for \$1,500 under its federal award, and the recipient receives a rebate from the vendor of \$500 for purchasing the equipment, the \$500 rebate is directly traceable to a cost incurred under a DOE-funded project and reduces the cost of the equipment; therefore, the recipient must credit the rebate amount to the federal award.

In the example above, if the \$500 rebate is applied at the point of sale, the recipient simply incurs a cost of \$1,000 for the solar hot water heater (the net amount the recipient owes on the \$1,500 item after the \$500 rebate is applied) and charges \$1,000 to their grant award.

However, in some cases, recipients may not receive rebates at the point of sale. For example, the recipient may have paid the full \$1,500 cost for the solar water heater up front, and later received the \$500 rebate from their electric utility. In this case, the \$500 must be added back to the recipient's EECBG grant, thereby increasing the balance of funds remaining on the EECBG grant by \$500. Any funds added back to the grant in this instance must be spent on eligible EECBG activities *during the grant performance period*.

When a grantee has received rebate funds in this manner, *they must disburse the rebate funds on grant activities before requesting additional cash from their grant award*. In the solar hot water heater example above, the next time the recipient needs to pay a grant-related expense, the \$500 in rebate funds would have to be spent first before the grantee could draw down additional funds from the grant.

Are there limitations to how money received as a rebate can be spent?

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How should rebate monies received be used?

Funds received from rebates must be added back to the recipient's EECBG grant. Once the rebate funds have been added back to the grant, they are subject to the same limitations as the original grant money, i.e., they can only be spent on eligible activities for allowable costs.

Once a grantee has received rebate funds, *they must disburse the rebate funds on grant activities before requesting additional cash from their grant award*. For example, if a recipient used grant funds to purchase a \$1,500 solar hot water heater from a vendor and later received a \$500 rebate from the vendor for purchasing the solar hot water heater or from the recipient's electric utility solely because the recipient purchased the solar hot water heater, then the next time the recipient needed to pay a grant-related expense, the \$500 rebate funds would have to be spent first before the grantee could draw down additional funds from the grant.

When it comes to selecting specific activities to fund with rebate income, recipients should first seek to apply the rebate to offset costs of the activity that generated the rebate. For example, a recipient has a \$300,000 project to implement energy efficiency retrofits to its public buildings. The recipient intends to use \$200,000 of its EECBG award and \$100,000 of recipient funds for this project. As part of the equipment purchases for this project, the recipient spends \$125,000 on energy efficient HVAC units and charges the \$125,000 purchase to the EECBG award. Shortly thereafter, the recipient receives a \$5,000 rebate from its electric utility solely for purchasing energy efficient HVAC units. The recipient should use the \$5,000 toward other costs under the retrofit project that the recipient originally intended to cover with recipient funds. As another example, if the recipient charged \$100,000 of the cost for the HVAC units to the EECBG award and financed the remaining \$25,000, the recipient could use the \$5,000 in rebate funds to pay down the financed portion.

If that is not an option, the recipient should then look to use the rebate to expand the work being carried out on one of the recipient's previously approved EECBG projects. For example, where a recipient receives a rebate for installing a solar hot water heater, the recipient may use the rebate funds to pay for a portion of the cost of buying an additional solar hot water heater. Using rebate funds to support entirely new projects should be a last resort, because it might further delay the impact of the ARRA funding or risk reprogramming funds to activities that may not be able to be completed before the end of the grant performance period. Recipients who must create entirely new EECBG-eligible activities in order to spend rebate funds are encouraged to consult with their DOE Project Officer to ensure the new activities can be performed in a timely manner.

If the recipient cannot figure out a way to apply rebate funds to EECBG-eligible activities, the amount of the rebate must be returned to the federal government by check payable to the U.S. Treasury. Please contact your EECBG Project Officer or Contract Specialist for instructions on returning rebate funds.

How should a recipient treat rebates that are received during the project and after the project is complete (i.e., no project costs to offset), but before the award is closed by DOE?

Rebates consist of incentives received by a recipient or subrecipient that are directly traceable to a cost incurred under a DOE-funded project (e.g., a recipient receives an incentive for purchasing a certain type of equipment or an incentive to defray the costs of installation). If, for example, a recipient purchases a solar hot water heater from a vendor for \$1,500 under its federal award, and the recipient later receives a rebate from the vendor of \$500 for purchasing the equipment, the \$500 rebate is directly traceable to a cost incurred under a DOE-funded project and reduces the cost of the equipment. In this case, the recipient must credit the rebate amount to the federal award.

Specifically, whether received during the project or after the project is complete, a rebate must be credited to the Federal Government as either a cost reduction or cash refund, as appropriate. If the rebate is received after the EECBG grant is complete and/or closed (retired), and can no longer be applied to eligible EECBG activities, the amount of the rebate must be returned by check payable to the U.S. Treasury. Please contact your EECBG Project Officer or Contract Specialist for instructions on returning rebate funds.

How should a rebate be reported?

Upon receiving a rebate, the recipient must report the receipt of the rebate to DOE in the remarks sections of its Quarterly Performance Report and Federal Financial Report in the Performance and Accountability for Grants in Energy (PAGE) system. The recipient may have to adjust the amount reported for incurred costs—for example, if a recipient previously reported an incurred cost of \$1,500 to pay for a solar hot water heater but later received a \$500 rebate from their electric utility, the recipient should make sure their reported costs incurred are now \$1,000 (the net cost of the solar hot water heater after applying the rebate).

Funds received from rebates must be added back to the recipient's EECBG grant. Once the rebate funds have been added back to the grant, they are subject to the same limitations as the original grant money, i.e., they can only be spent on eligible activities with allowable costs.

Below is a summary of how a recipient with a \$50,000 grant would report on the solar hot water heater example above. Please note that outlays/expenditures must be adjusted in both the PAGE Quarterly Performance Reports and Federal Financial Reports, and that the remarks section of both reports should be used to explain the reason for the adjustment.

After initial purchase of solar hot water heater

- Grant amount: \$50,000
- Outlays/Expenditures: \$1,500 (1 solar hot water heater purchased * \$1,500 per unit)
- Remaining balance on grant: \$48,500

After rebate received

- Grant amount: \$50,000
- Outlays/Expenditures (cumulative): \$1,000 = \$1,500 from prior period - \$500 adjustment for rebate received
- Remaining balance on grant: \$49,000
- Remarks: We received a \$500 rebate from our utility solely because of the purchase of the solar hot water heater, which reduced the net cost of the solar hot water heater from \$1,500 to \$1,000

Is there a difference between an equipment rebate from a manufacturer and an equipment rebate from a utility solely because the recipient purchased the equipment from the manufacturer?

No, both rebates on EECBG-funded items that are received directly from the manufacturer for items or equipment purchased and equipment rebates received from a third party such as a utility provider or a retail vendor solely **because the recipient purchased the equipment from the manufacturer** are considered standard rebates that are directly traceable to costs incurred under the DOE-funded project.

Funds received from rebates must be added back to the recipient's EECBG grant. Once the rebate funds have been added back to the grant, they are subject to the same limitations as the original grant money, i.e., they can only be spent on eligible activities with allowable costs.

Once a grantee has received rebate funds, they must disburse the funds on grant activities before requesting additional cash from their grant award. For example, if a recipient uses grant funds to purchase a \$1,500 solar hot water heater and later receives a \$500 rebate from their electric utility, then the next time the recipient needs to pay a grant-related expense, the \$500 rebate funds should be spent first before the grantee can draw down additional funds from the grant.

Are monies received from rebates considered program income?

No, monies received from rebates are not considered program income. 10 CFR 600.101 and 600.225(a) states that "program income" does not include rebates.

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Can rebates be considered leveraged funds?

No, rebates cannot be considered leveraged funds. A rebate must be credited to the Federal project as either a cost reduction or a cash refund, as appropriate.

Can rebates received be deposited into the recipient's General Fund?

Yes, as long as the rebate monies are properly accounted for and reported, and are applied toward eligible EECBG activities, as appropriate. Recipients may also consider setting up a separate revenue fund for rebate monies for better identification and tracking purposes.

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for incurred costs—for example, if a recipient incurred a cost of \$1,500 to pay for a solar hot water heater but later received a \$500 rebate from their electric utility, the recipient should make sure their reported costs incurred are \$1,000 (the net cost of the solar hot water heater after applying the rebate).

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An EECBG recipient is installing LED lights in a parking garage that is owned by the recipient but is run by a concessionaire who pays the utility bills. The utility is providing rebates solely because of the installation of efficient lighting, and the rebate payment is submitted to the concessionaire, since they have the utility account. Does the rebate need to be spent by the EECBG recipient on EECBG activities?

Yes, when the rebate is a direct result of the installation of equipment (in this case, LED lights) funded by EECBG Recovery Act funds, the EECBG recipient must account for the rebate. The funding received as a rebate must be returned to the recipient (even when received by the concessionaire or other intermediary) and the recipient must account for the funds under the award; those funds must be expended on eligible EECBG activities or returned to the Federal government. The EECBG recipient paid for the equipment and must account for all rebates received accordingly, so the utility company should transmit any such rebates directly to the EECBG recipient for expenditure on eligible EECBG project activities or for return to the US Treasury. The third party concessionaire should not be receiving or retaining any rebates received as a direct result of the installation of equipment funded by EECBG Recovery Act funds.

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What is considered a rebate and what is considered a utility retroactive discount?

Questions have arisen from EECBG recipients, Project Officers, and Contracting Officers concerning (1) how recipients should treat rebates received after the project is complete (i.e., when there are no project costs to offset); and (2) how to distinguish utility retroactive discounts (URD) from standard rebates, and how recipients should treat URDs that are indirectly received as a result of a DOE-funded project (e.g., a utility provides incentives for reaching a certain level of energy efficiency).

Rebates consist of incentives received by a recipient or subrecipient that are directly traceable to a cost incurred under a DOE-funded project (e.g., a recipient receives an incentive for purchasing a certain type of equipment or an incentive to defray the costs of installation). If, for example, a recipient purchases a solar hot water heater from a vendor for \$1,500 under its federal award, and the recipient receives a rebate from the vendor of \$500 for purchasing the equipment, the \$500 rebate is directly traceable to a cost incurred under a DOE funded project and reduces the cost of the equipment; therefore, the recipient must credit the rebate amount to the federal award. Specifically, whether received during the project or after the project is complete, a rebate must be credited to the Federal Government as either a cost reduction or cash refund, as appropriate. If received after the project is complete and/or

closed (retired), and can no longer be applied to eligible activities, the amount of the rebate must be returned by check payable to the U.S. Treasury

Utility Retroactive Discounts (URDs) consist of incentives where the recipient receives payment for achieving a certain level of performance that was reached indirectly as a result of the EECBG activity (e.g., the recipient implements a variety of energy efficiency retrofits to a building and DOE funded certain retrofits, and as a result of the energy efficiency savings, the recipient earns an incentive payment from the utility). A payment from a utility for achieving a certain level of energy efficiency or system performance would be considered a URD. The level of performance is often a result of a combination of measures, some of which are not funded by DOE, making it difficult to trace the portion of the measures that are attributable to the DOE portion of the project. Further, the URD is generally based on the actual or anticipated performance that will occur after the DOE project is completed.

Unlike rebates, URDs are not directly traceable to a cost incurred under a DOE funded project. URDs are further distinguished from rebates or credits because URDs do not offset the cost of the equipment or its installation. Instead, they are tied to the performance of the system or energy efficiency retrofits. Therefore, as an accounting matter, URDs do not meet the definition of “rebate” in OMB cost principles. Recipients do not have to account for them under the federal award under the OMB cost principles. The EECBG program has not established any additional requirements for accounting for this kind of incentive, and therefore, recipients are not required to account for URDs in their EECBG awards.

Recipients should contact their EECBG Project Officer and Contracting Officer for a determination when it is unclear whether an incentive is a true rebate or a utility retroactive discount.