

Congress of the United States
Washington, DC 20515

September 13, 2017

Mr. José B. Carrión III
Chairman
Financial Oversight and Management Board for Puerto Rico
P.O. Box 192018
San Juan, PR 00919-2018

Dear Chairman Carrión:

We write with great solidarity for the people of Puerto Rico and all the communities terribly affected by Hurricane Irma. Recovery will be difficult and costly. Puerto Rico was skirted – for the most part – from the terrible damages that were forecasted ahead of Irma’s passage. However, the storm did have devastating effects to some municipalities, particularly Culebra. It also exposed vulnerabilities in the Island’s infrastructure and its electric grid. To this end, we are requesting that the Oversight Board provide us with details regarding its energy reform plan for the Island.

The Island’s electricity rates are a central element of Puerto Rico’s deep economic crisis and will be a critical driver of its economic recovery. Past and present failures of the Island’s system serve as a stark reminder for the need to dismantle the Commonwealth’s monopoly over its utilities and invest in its aging and inefficient energy systems, which have consistently been a roadblock for economic competitiveness.

For businesses and consumers, Puerto Rico’s electric system has consistently been characterized by high prices and unreliability. Last year technical failures at the Aguirre power plant left one-third of the population without power. In August 2017, inclement weather caused power outages for over 40 thousand people. Following Irma, over 1 million Puerto Ricans were left without power. Power outages have detrimental effects to hospitals, senior citizen housing, and more specifically, for anyone that relies on insulin, dialysis, and other medical assistance. Unfortunately, the forecast is far from optimistic as the electric system’s fixed costs are paid for by an increasingly reduced base of customers, leading to higher energy costs which have in turn reduced energy use on the Island.

Without question, the path to sustainable economic growth must include additional competition and investments that enable reliable and affordable electricity for business and consumers. As you know, most of the electric infrastructure in Puerto Rico has a median age life of 44 years, whereas the average depreciable service life of a power plant is 40 years. Section 201 of PROMESA explicitly references this need by instructing the Board to: “provide for capital expenditures and investments necessary to promote economic growth.”

We are pleased that the Oversight Board decided unanimously to send the Island’s power authority into PROMESA’s Title III bankruptcy process. This decision will for an orderly and just restructuring of the utility’s debts. We commend the newly appointed Revitalization Coordinator of the Board, Noel Zamot, for launching a digital platform for developers and investors to submit

infrastructural proposals. We also applaud that Mr. Zamot has designated energy, transportation, water and waste management as immediate priorities. While these are all steps in the right direction, we would like to emphasize the urgency of establishing and implementing a clearly delineated path forward plan as soon as possible.

To this point, we would like you to specifically consider that Puerto Rico's path to recovery requires multiple service providers, infrastructure investments and increased use of renewables to bring reliable and affordable electricity to consumers. The main benefit of the majority of renewable sources is that they do not need fuel to generate electricity, and thus eliminate the variable costs associated with fossil fuels. Puerto Rico's geographical location and tropical climate make it an ideal candidate to generate power from multiple energy sources. As a result, lower electricity rates for consumers and the business sector could provide an immediate stimulus for the Island's economy. The money that is freed up could be reinvested in the island.

However, in the recently approved Fiscal Plan, the Puerto Rico Power Electric Authority (PREPA) has been instructed to plan for a reduced average target rate of 21 cent/kWh. This target is not nearly enough since it would still be significantly higher than other industrialized island-states and the Caribbean economic region.

Hurricane Irma, while tragic beyond measure, provides an opportunity for significant transformation of Puerto Rico's electrical system. While we can agree that private investment is needed to allow for competition and independent generation of electricity, we must ensure that decisions are carefully constructed so as to prevent a public monopoly of morphing into a private monopoly. We must be clear: Puerto Rico's energy grid and distributions channels must not be used as a reward for special interests.


As such, we request details of your plan to use the authorities under Section 503 of PROMESA to reduce electricity costs for ratepayers *prior to its implementation*. Please provide us with a complete assessment of all progress to date including your strategy to achieve success no later than October 1, 2017.

Thanks for your prompt attention.

Sincerely,



Nydia M. Velázquez
Member of Congress



Tom MacArthur
Member of Congress



Raúl Grijalva
Member of Congress



Sean Duffy
Member of Congress

Cc:

Natalie Jaresko, Executive Director, Financial Oversight and Management Board of Puerto Rico
Andrew G. Biggs, Member, Financial Oversight and Management Board of Puerto Rico
Carlos M. García, Member, Financial Oversight and Management Board of Puerto Rico
Arthur J. González, Member, Financial Oversight and Management Board of Puerto Rico
José R. González, Member, Financial Oversight and Management Board of Puerto Rico
Ana J. Matosantos, Member, Financial Oversight and Management Board of Puerto Rico
David A. Skeel, Member, Financial Oversight and Management Board of Puerto Rico
Christian Sobrino Vega, Ex-officio Member, Financial Oversight and Management Board of Puerto Rico