

U.S. House of Representative Natural Resources Committee

Chairman Raúl M. Grijalva

**“The status on the “Rebuilding and Privatization of the
Puerto Rico Electric Power Authority” (PREPA)”**



**MUNICIPAL ENERGY CONSORTIUM
OF THE MOUNTAIN REGION**

VILLALBA · OROCOVIS · BARRANQUITAS · CIALES · MOROVIS

Good morning, gentlemen distinguished members of the Natural Resources Committee.

My name is Luis Javier Hernández Ortiz, Mayor of the Municipality of Villalba and President of the Municipality Energy Consortium of the Mountain Region. I am also accompanied by Jesus Colón Belingeri, the Mayor of the Municipality of Orocovis, who is also the Vice President of the Consortium. This Municipal entity was created through the unanimous approval of the municipal legislatures of Villalba, Orocovis, Barranquitas, Ciales and Morovis. First, I appreciate the opportunity to present to this committee our perspective of the *“status of the Rebuilding and Privatization of PREPA”*.

During the past months we have been participating in different forums on the subject of energy. The Puerto Rico press and international governance entities have highlighting our proposal for innovation and energy resilience.

We have recently visited the offices of several congressmen, including members of this committee, to talk to them about the importance of focusing on helping Puerto Rico’s mountain sector. Nearly 150,000 American citizens need to have their autonomy energy system and be truly resilient.

For example, the citizens of Orocovis and Barranquitas had to wait eight (8) months after the Hurricane María for energy service could be reestablished. This situation produced loss of lives and the collapse on their social and economic development.

Hurricane María exposed the vulnerabilities of the energy system in Puerto Rico. The way the generation is distributed, the dependence on fossil fuel and its weak transmission and distribution system, put the towns of the mountain in a situation of disadvantage in any post hurricane recovery process.

The delay in months in energy recovery produces a harmful effect on the quality of life of the people of the mountain and harms the stability of the small industrial sector that still remains in our municipalities and sharpens the crisis of our small business.

The delay in the process of recovery of the energy service produced a humanitarian crisis in the Mountain region, whose road accesses were severely affected if not destroyed by the Hurricane.

Fortunately, the Municipality of Villalba had a Hydroelectric Plant that had been abandoned by all the governments of Puerto Rico during the past 50 years. Built in 1929, was only used when the main generators had to be repaired or when the famous "cargo relays" existed. The state of emergency and the necessity faced by our people pushed us to take over the plant, putting it into operation in record time of thirty (30) days. This historic achievement was made possible thanks to the help of municipal employees, PREPA's employees and Medtronic industry which is the economic heart of Villalba with about 1,500 employees and 30% of the mountain's economy. I remember the visit of its CEO weeks after the hurricane, in which he asked us if there was any "Plan" for the recovery of the energy system and became available to help.

The expectations of PREPA to reestablish energy in Villalba was seven (7) to eight (8) months. We did it in thirty (30) days. And we could have done it in weeks, but we faced a terrible damages on the pipelines in an inaccessible area. This story emphasizes the importance of having an autonomous, resilient and 100% renewable energy system on the mountain.

Faced with this life experience, what do we propose? We propose that the priority of Puerto Rico needs to be to transform the mountain's energy system. It manage to provide resilience and prevent FEMA and the government the necessity to invest in so many post hurricane recovery resources again.

This will provide quality of life to approximately 150,000 American citizens of the most vulnerable sectors of Puerto Rico at the same time help the sustainable economic development of the Region.

To fulfill this goal, the Municipality Energy Consortium of the Mountain Region seeks to create a Smart Mini Grid of renewable energy in the Municipalities of Villalba, Orocovis, Barranquitas, Ciales, and Morovis with a system with a total of 130 megawatts of generation and 417 megawatts of storage. The conceptualization of the Smart Mini Grid is one of spearhead that will provide 24/7 energy without traveling long distances, supplying demand effectively without wasting energy. Each municipality will have a solar generation system of 20 megawatts and greater storage, being the Municipality of Villalba the operation center, generating 50 megawatts and using the Toro Negro Hydroelectric Power Plant as the command and technical control center of the network. The artificial intelligence system will help collect data at all times, and thus help forecast events, being always in control of the network.

The Municipality of Villalba has already separated from its own assets about 300 acres of land and the rest municipalities has done the same with 100 acres each for this project.

The Board of Mayors has established the three (3) pillars of our project:

1. Provide a resilient system and 100% of renewable energy.
2. Lower the energy rate.
3. Create an autonomous development of our municipalities.

The Federal Government approved the allocation of about 18,000 million dollars through the CDBG-DR funds. These funds seeks to help in the reconstruction of a more Resilient Puerto Rico. As Mayors and representatives of about 150,000 American citizens, we understand that the use of these funds

should have as a priority the energy transformation of the mountain region of Puerto Rico.

You have already seen that we are the last in recovering the energy service post Hurricane María and the severe damage that this caused. We want to be pioneers in the energy transformation of Puerto Rico and with the historic opportunity of access to CDBG-DR funds we will achieve it.

The Consortium has already announced the Request for Proposal (RFP) to establish an alliance with a non-profit entity with enough experience in the administration and management of this type of project. We do this in order to guarantee the transparency of the processes and full compliance with all the requirements of the federal program. This also creates a distinct and separate structure of the Consortium who will be the recipients of the funds for the design and construction of the This is done in order to guarantee the transparency of the processes and full compliance with all the requirements of the federal program. This also creates a distinct and separate structure of the Consortium who will be the recipients of the funds for the design and construction of the mini grid.

An entity that has the confidence of the federal government and guarantees each dollar benefits American citizens living in the mountains.

The Municipalities as local governments have also been managing for a decade efficiently CDBG funds. Our project has the endorsement of the Governor of P.R., Hon. Ricardo Rosselló Nevarez, of the Resident Commissioner, Hon. Jennifer González Colón, of the Legislature of Puerto Rico, especially of its President Hon. Thomas Rivera Shatz and of the Industrial Association of Puerto Rico.

It is particularly important to highlight that the project will enable the economic development of the Region, since the manufacturing industries

established in the region will reduce their costs of operation and may rely on a system rehabilitated through private investment. It leads to the creation of jobs in an economically weakened area. With this is included the endorsement of this bill by the Medtronic Medical Devices industry. This industry has been established in Villalba since 1974 with an employment of over 1,500 employees coming from the south-central area. According to Medtronic, "This project will benefit us, obtain stability and energy efficiency at a better cost, which would make us more competitive at global level and could ensure the permanence of Medtronic in the Municipality for many years more."

The support of the Industrialist Association has been fundamental in the progress of our project. In the past month of September, the Industrialists Association accompanied the Mayor, Hon. Luis Javier Hernández Ortiz, to the US Congress and saw first-hand the support that this great initiative has with all the Congressmen.

We want to highlight the fact that in a meeting held at the Federal Department of Energy, the representative of the Agency, Mr. Bruce Walker, agreed that it was the correct route to guarantee a resilient system in one of the most vulnerable areas of the Country. The Federal Department of Energy made available its technical staff to ensure that this project complies with the proposed goal.

Of much importance is to point out that we have also received the endorsement of the National Institute of Energy and Island Sustainability (INESI) of the University of Puerto Rico. In addition, the cooperative sector of the mountain, has also shown interest in being part of this consortium in terms of finance.

We had conversations with the Puerto Rico Aqueduct and Sewer Authority, to ensure that water service is guaranteed and improve for the benefit of our people. The improvements we will make to the reservoir system and pipelines

will benefit the Puerto Rico Aqueducts and Sewers Authority and we will be able to provide this agency with the energy savings that is much needed.

In summary this project will be beneficial for the following reasons:

1. Promotes hydroelectric power as a method of clean, renewable energy and friendly to the environment.
2. It tends to the modernization of the mountain's energy system and the creation of a resilient system that remains in service during atmospheric events and that corresponds to internationally recognize good practices.
3. Strengthens our energy infrastructure and supports the existing one. This will fulfill the objective of the Government of Puerto Rico in the creation of a resilient energy system.
4. It contributes to the economic development by attracting more traders and industries to the region, thus, it would result in new job opportunities for residents.
5. Would contribute increasing the treasury of the Municipality of Villalba and neighboring towns as Orocovis, Ciales, Morovis and Barranquitas.
6. It makes viable the generation of energy to residents, business and industry.
7. It allows having less dependence on fossil fuel and the economic consequences in the event of another rising in oil prices would have less impact for our municipality.
8. Represents a sustainable and reliable energy system.

9. It supposes a competitive model that avoids the monopoly not only of the supplier of energy sources but also providers of energy production, one of the objectives that pursues Act No. 120 of June 20, 2018.

10. It will guarantee a better response from the public sector in a state of emergency at the collapse of the energy system.

Distinguished members of this honorable committee; in our hands we have a great opportunity to leave a positive and historical legacy for our future generations.

When our children look to our faces in 20 years, we can tell them that we managed to overcome the strongest test in the history of Puerto Rico and that we rise up and rebuilt a Puerto Rico stronger than ever.

With your help, we will be able to pass “From the Catastrophe to Hope”.

Respectfully,

A handwritten signature in black ink, consisting of several overlapping loops and a long horizontal stroke extending to the right.

Luis Javier Hernández Ortiz
Mayor
Municipality of Villalba

Jesús E. Colón Berlingeri
Mayor
Municipality of Orocovis