



**STATEMENT BY RODRIGO MASSES, PRESIDENT  
OF THE PUERTO RICO MANUFACTURERS ASSOCIATION  
before the  
Committee on Natural Resources  
U.S. House of Representatives**

**Hearing on:**

***“The Status of the ‘Rebuilding and Privatization of the Puerto Rico Electric Power Authority’, (PREPA)”***

**April 9, 2019**

Chairman Grijalva, Ranking Member Bishop and Committee Members:

Thank you for the opportunity to share our statement, and especially for your interest in the welfare of the 3.4 million U.S. Citizens residing in Puerto Rico. We are also grateful for the time that many of you recently invested by traveling to Puerto Rico for a first-hand visit and conversations with local stakeholders.

I serve as the elected Chairman of the Puerto Rico Manufacturers Association (“PRMA”). PRMA is the primary voice of the private sector. Our members generate approximately 250,000 American jobs in the Island, produce close to 50% of Puerto Rico’s GDP, and are the Island’s primary wellspring of tax revenue.

The focus of today’s hearing is not only vital for restoring the quality of life for those living in Puerto Rico, but a priority task required to revitalize our economy. For years, PRMA has led efforts focused on the need for meaningful, long term economic growth, necessary to improve the well-being of our people.

Low cost, reliable electrical power, and the transformation of the government owned Puerto Rico Electrical Power Authority (PREPA), are top priorities for the PRMA. For years, PRMA has advocated for comprehensive energy reform efforts.

We firmly believe that if PREPA’s transformation is done properly, with transparency, economic development will soon follow. On the other hand, if this transformation is not done properly, the consequences could be detrimental to our chances of economic growth, and to our quality of life.

The failures of PREPA and its obsolete grid in the aftermath of Hurricanes Irma and María symbolize the challenges we face moving forward. Disaster recovery efforts initially focused on “turning the lights on”. At the same time, government policymakers and



private sector leaders such as the PRMA urged action to modernize our grid and electricity production for the 21st Century.

We share with many members of this Committee the goals of transforming PREPA, strengthening the local energy regulator, and making sure that the procurement process by PREPA and the government of Puerto Rico is done with transparency.

Since 2018, PRMA has regularly sent to Congress the *Puerto Rico Energy Crisis Report*. The purpose of this report is to keep policymakers in Washington informed about PREPA's transformation, and other significant developments in the energy sector. The *Puerto Rico Energy Crisis Report* is evidence of our commitment to help shape a new era of economic development for our Island.

Here is our assessment of where things stand today and our recommendations for greater oversight by Congress and the Federal Government.

1. **Transparency in the Sale of PREPA's assets must be a priority.** Hearings or other similar processes need to happen to ensure participation from the general public.
2. **A new regulatory framework for the transformation of its electrical system.** PRMA supported and helped shape a comprehensive, bipartisan energy reform bill filed by senators Larry Seilhamer and Eduardo Bhatia, which is in the process of becoming a law as soon as governor Ricardo Rosselló signs it. This new, forward-thinking legislation will establish the legal framework for the sale of PREPA's generation assets, including the concession of the transmission and distribution assets. This bill also mandates that, by 2050, 100% of Puerto Rico's power generation must be based on renewable energy. Also, Senate Bill 1121 strengthens and increases the funding to the energy regulator, the Puerto Rico Energy Bureau, thereby making sure that proper oversight is done over the transformation of PREPA and Puerto Rico's energy model.
3. **Federal funding for the island's grid is urgently needed.** The current condition of the Island's electric grid is much worse than the day before Hurricane Maria struck the Island. The "reconstruction" work on the grid has been limited to "turning the lights on". However, not a cent of recovery appropriations has been invested on rebuilding Puerto Rico's obsolete grid. The much-talked-about resilient and reliable 21<sup>st</sup> Century grid is far from a reality and the sale of PREPA's assets will not solve the much-needed reconstruction. Governor Rosselló advocated before Congress and the Administration for a "Build Back Better Plan", which calls for a stronger, state of the art electric grid. Hopefully we can solve this problem before another hurricane strikes.



PREPA's potential transactions over its assets assume that the grid will be rebuilt with federal funding. To this date, no sources of funding for this plan – estimated in \$17 billion - have been appropriated or even identified. Despite the inexistence of these funds, the candidates on the competitive process to manage PREPA's assets operate under the assumption that such federal funding will come through.

Puerto Rico's rate payers need to know whether we will end up paying the cost of rebuilding the grid from our energy bills – on top of whatever amounts we end up paying as a result of the restructuring of PREPA's debt under Title III of the PROMESA act.

PRMA looks to the future. Experts agree that the deployment of microgrids and new technologies can provide a more reliable grid for our people and communities. We understand this is particularly true in the case of our towns and manufacturing plants in isolated areas. To establish one of these microgrids, PRMA brought different stakeholders together in support of the *Consortio Energético de la Montaña*. This initiative, spearheaded by the Mayor of Villalba, Luis Javier Hernández, includes the municipalities of Villalba, Orocovis, Morovis, Ciales y Barranquitas, manufacturers and other interested parties. The goal of *Consortio Energético de la Montaña* is to create an energy plan to provide electricity in those towns, using as generation assets a hydroelectric plant, as well as utility scale solar and distributed generation.

Although the PREPA issue is critical, it is no less vital for the future of Puerto Rico that reconstruction funds be forthcoming. Since hurricane Maria a year and a half ago, mention has been made of billions in reconstruction funds that would be available to Puerto Rico, exceeding by far \$60 billion over a ten-year period. Both FEMA and the USACE responded quickly to deal with immediate needs related to infrastructure and are responsible for the \$14 billion actually disbursed. These funds, however, had little impact for Puerto Rico's long-term sustained growth.

Of the FEMA funds that have been disbursed in the Island, close to 90% were awarded to contractors in the mainland. In fact, the Financial Oversight and Management Board estimated that only 13% of the FEMA funds benefited the local economy. The Stafford Act should be complied with in Puerto Rico as it has been in other U.S. jurisdictions, a need particularly important for local construction and engineering companies.

I would like to bring to the attention of the Committee that FEMA granted the local government responsibility for the management of FEMA funds for the reconstruction process. This is a recognition of the fact that the local government has the required capacity, and that there has not been a single accusation against the local Government for mismanagement of federal funds.



PRMA urges the Committee to exert its influence and authority in assuring that reconstruction funds reach Puerto Rico promptly and in the same manner as in other U.S. areas impacted by natural disasters. It is relevant to mention that of the \$20 billion in CDBG-DR funds initially allocated by HUD, only \$1.5 billion has been made available. The discrimination against the 3.4 million U.S. citizens in Puerto Rico is obvious.

Few issues are more important to the economic future of Puerto Rico than achieving reliable and affordable electricity to serve our island's consumers and employers. We appreciate the high level of interest by the Committee and your leadership. We look forward to working with you to fulfill these goals.

Thank you for the opportunity to testify today.

Rodrigo Masses

**CONTACT INFORMATION:**

*Mr. Rodrigo Masses  
President, Puerto Rico Manufacturers Association  
PO Box 195477  
San Juan, PR 00919  
Web: <http://industrialespr.org/>  
E Mail- [rodrigomasses@gmail.com](mailto:rodrigomasses@gmail.com)  
Tel: (787) 641-4455*