



GOVERNMENT OF PUERTO RICO

PUERTO RICO FEDERAL AFFAIRS ADMINISTRATION

Executive Director | Carmen Feliciano Marquez, Esq. | cfeliciano@prfaa.pr.gov

April 7, 2021

The Honorable Raúl M. Grijalva
Chairman
House Natural Resources Committee
1324 Longworth House Office Building
Washington, DC 20515

The Honorable Bruce Westerman
Ranking Member
House Natural Resources Committee
1329 Longworth House Office Building
Washington, D.C. 20515

Dear Chairman Grijalva and Ranking Member Bishop:

On behalf of Puerto Rico's Governor, Pedro R. Pierluisi, I wish to express our gratitude to the House Natural Resources Committee for holding the hearing on March 24, 2021, entitled: *How the Biden Administration's Build Back Better Plan Can Benefit the U.S. Territories*, and for allowing us the opportunity to answer the Committee's questions. We appreciate the Committee's efforts and advocacy for the 3.2 million U.S. citizens of Puerto Rico.

In response to the Committee's additional questions, please find attached answers for the record in accordance with Committee Rule 3(o). We further thank the Committee for the opportunity to respond to the additional questions from Committee members and address any outstanding concerns.

If you require additional information or have any questions, please do not hesitate to contact me at (202) 778-0710 or via email at cfeliciano@prfaa.pr.gov.

Sincerely,

Carmen M. Feliciano
Executive Director

Question(s) from Representative Cohen

1. In 2019, the American Society of Civil Engineers found that Puerto Rico should increase infrastructure investment by at least \$1.3 billion over the next ten years to support economic growth and competitiveness. What do you see as the most critical infrastructure needs in Puerto Rico? Would it be the power grid, roads, bridges, access to drinking water, or something else?

From an economic development and competitiveness, which translates into attracting FDI, promote innovation, grow small and medium enterprises, and create well-paying jobs, the most critical infrastructure needs are:

- a) Power grid: reliable, competitive cost, resilient, sustainable, and environmentally friendly
- b) Digital connectivity: broadband, fiber optics
- c) Drinking water and waste-water treatment systems
- d) Maritime and airports network, including decentralization (the multiple-port island strategy)
- e) Roads and bridges
- f) Public transportation
- g) Solid waste management
- h) Urban centers revitalization
- i) Revitalization of public areas that connect people, business, and social/cultural lifestyle

2. In 2017, approximately 98% of electricity was generated by fossil fuels and average electricity prices. How could President Biden's Build Back Better plan help increase source diversity?

- a) By investing and advancing the research, development, and commercialization of alternate energy sources/technology that are sustainable and renewable.
- b) By removing/reducing policy and regulatory roadblocks that do not add value to the overarching goal to transition to sustainable and renewable sources.
- c) By formulating and implementing strategies tailored/customized to each region based on their local profile, strengths, and natural resources. For example, Puerto Rico has solar and wind energy resources, but the island is an industrial powerhouse. Hence, it needs base-load generation and/or technologies/smart solutions to mitigate/reduce intermittent power generation. Puerto Rico should move towards ocean power technologies such as tide, current, ocean thermal energy conversion, and offshore wind, as well as hydrogen-based technologies for power generation.

As a matter of fact, DDEC, along with the Land Bank Administration (LBA), completed an RFP in December 2020 and selected a private entity to develop an Ocean Technology Park in Yabucoa, centered around Deep Ocean Water Applications (DOWA) and Ocean Thermal Energy Conversion (OTEC). Currently, negotiations between the private entity and the LBA for a long-term lease agreement to develop the project is in progress.

Question(s) from Representative García

1. PREPA recently published a 10-Year Plan for how it proposes to use FEMA funds for grid reconstruction. As you know, imported fossil fuel costs continue to be a high burden on an island that has developed little of its renewable energy potential. Why is PREPA proposing to use FEMA funds for natural gas and the centralized system but not for distributed renewable energy and storage, especially when distributed renewable energy and storage have been identified as no regret alternatives by the Puerto Rico Legislature and the Puerto Rico Energy Bureau, PREPA's regulator?

PREPA is required under Puerto Rico law to prepare and submit to its regulator, the Puerto Rico Energy Bureau ("PREB"), an Integrated Resource Plan ("IRP") for a 20-Year planning period, which shall be revised every three years. On June 7, 2019, PREPA filed its most recent proposed IRP after making a series of revisions required by the PREB. On August 24, 2020, PREB issued a "Final Resolution and Order on the Puerto Rico Electric Power Authority's Integrated Resource Plan" that approved, in part, and rejected, in part, PREPA's proposed IRP and ordered PREPA to implement a Modified Action Plan.

As part of the PREB Final Order's Modified Action Plan, PREPA is required to develop a detailed Procurement Plan for the acquisition of renewable resources and battery energy storage to achieve compliance with the renewable portfolio standard ("RPS") with the Energy Bureau's guidance and approval. Then, consistent with the PREB approved Procurement Plan, PREPA is to issue a series of RFPs for the provision of (a) renewable energy in support of Act 82's RPS goals and (b) battery energy storage in support of (i) capacity requirements needed to meet PREPA's peak load requirements and (ii) requirements for integration of renewable energy generation. These competitive procurements must be open to all forms of renewable energy, including, but not limited to, wind, hydro, solar PV, Virtual Power Plants ("VPPs"), and storage. Successful proponents of renewable generation and energy storage projects will enter into long-term power purchase and operating agreements or energy storage services agreements with PREPA.

The 10-Year Infrastructure Plan outlines PREPA's proposed investments in Puerto Rico's electric systems over the next ten years related to FEMA's award, in response to the catastrophic landfall of Hurricanes Irma and María in September 2017 and in order to mitigate the economic, fiscal, and social impacts of future storms, to both rebuild Puerto Rico's electric system and support recovery of the territory's education system. Part of this funding obligation, \$10.7 billion, was earmarked for PREPA to repair and/or replace electrical systems, including thousands of miles of transmission and distribution lines, electrical substations, power generation systems, office buildings, and to make other grid improvements under FEMA's Public Assistance Alternative Procedures, pursuant to Section 428 of the Robert T. Stafford Disaster Relief and Emergency Assistance Act.

PREPA is currently evaluating its projects under the 10-year Plan to ensure compliance with the IRP and any resolutions issued by PREB related thereto. PREPA will work to ensure

that investments are made in generation and related resources directed at reaching Puerto Rico's Renewable Portfolio Standards of 40% by 2025, 60% by 2040, and 100% by 2050.

Question(s) from Representative Tlaib

1. Governor Pierluisi, why is it so important to restructure Puerto Rico's and other territories' debts?

a. What impact would forgiving Puerto Rico's debt have?

Puerto Rico would, of course, welcome its institutional creditors and monoline insurers forgiving the debts they are owed. We do not believe that's realistic based on our lived experience over the last six years of litigation, and any effort to legislatively mandate 100 percent debt forgiveness without the federal government assuming those liabilities would surely invite years more of litigation. Also, because a substantial amount of Puerto Rico's debt is held by on-Island creditors, wiping out debts owed to uninsured bondholders could have significant unintended consequences.

We have vigorously litigated over the validity of debts and the amount Puerto Rico can pay creditors in its restructuring. Our efforts have resulted in massive savings already for Puerto Rico — Government Development Bank creditors received bonds worth 55 cents on the dollar in the GDB Title VI. ERS Creditors are accepting recoveries reflecting at least a 78% discount. The COFINA restructuring saved the Commonwealth more than \$5 billion. And we believe more will be saved through future litigation or settlements with other creditor constituencies.

Question(s) from Representative Costa

1. There have been concerns over private energy contractors not receiving reimbursement for emergency restoration work. In the event of another disaster, it is critical to have all hands on deck ready to respond. For those who haven't been reimbursed by FEMA, what is the status of receiving the reimbursement? Additionally, for those who haven't received reimbursement, is there progress towards reaching a determination in a timely manner?

On February 10, 2021, COR3 and FEMA participated in a conference call meeting with the Senate and House Appropriation Committees to provide a deeper dive into the challenges FEMA faces in closing out PWs related to Whitefish/Duke Energy/COBRA. Participants included PREPA and the US FWS Office. Among the items discussed were:

a) Duke Energy: under FEMA EHP and US FWS review; potential de-obligation of funds; drawdowns on hold until reviews are completed, and findings/recommendations are issued (expected by April).

b) Whitefish: no projects obligated by FEMA (under formulation); PREPA is working to provide required documentation requested by FEMA; under FEMA EHP and Region 2 review (audit findings and recommendations expected by April).

c) Cobra: FEMA sent an email in March 2020 instructing to put on hold drawdowns; FEMA Region2 completing audit (findings and recommendations expected by April).

d) EMAC: PR (thru PREMB) requested assistance from NYPA for María emergency power grid repairs; NYPA is claiming reimbursements of certain administrative expenses; these were not included under Req-A; contract expired; COR3/FEMA validating if these expenses are eligible; a plan needs to be defined for a viable path-forward (PR needs support via EMAC for future disasters emergency response).

Important: FEMA is requesting COR3 to close out all Disaster María Categories A and B(emergency categories) projects by December 2021.