



GOVERNMENT OF PUERTO RICO  
DEPARTMENT OF HOUSING

November 15, 2022

Raúl M. Grijalva  
Chair  
Committee on Natural Resources  
U.S. House of Representatives  
Washington, DC 20515

Via e-mail: [ivan.robles@mail.house.gov](mailto:ivan.robles@mail.house.gov)

**RE: PRDOH Secretary Written Testimony -  
Oversight Hearing on “Puerto Rico’s Post-Disaster Reconstruction and Power Grid  
Development” before the House Committee on Natural Resources**

Good afternoon, Chairman Grijalva and Members of the House Committee,

On behalf of the Government of Puerto Rico, I wish to thank the Committee for inviting me to testify, as Secretary of the Puerto Rico Department of Housing (**PRDOH**), on the state of Puerto Rico's Post-Disaster Reconstruction under the Community Development Block Grant for Disaster Recovery and Mitigation (CDBG-DR and CDBG-MIT) allocations.

**I. Impact of the Disasters**

As you know, just over five years ago Hurricanes Irma and María struck Puerto Rico and devastated the electrical power system leaving the entire Island without power, which led to the longest sustained blackout in modern United States history. The impact on the power grid caused harmful effects to communities, water, health, and education systems, as well as telecommunications, among others. Without power, residents were unable to gain access to healthcare, communication, refrigeration, water, cooling, and security. With sustained systemic insecurity, residents continue to feel many of the same impacts, economic recovery is hampered, and the cycle of recovery cannot be completed.

In the months following Hurricanes Irma and María, 3.2 million U.S. citizens lived without power. Around 4% of the population migrated from the Island, and thousands died as a result of the storms. It also left mental healthcare providers scrambling to address post-traumatic stress disorder (**PTSD**), depression, and other psychological effects. The conditions in which people were living caused severe anxiety, and these conditions only worsened as time passed and essential services remained lacking. This in turn led to an intense fear of future events that could threaten the Island. This reality was recently laid bare after the impact of Hurricane Fiona, which resulted in prolonged power outages

posing health and safety threats as critical services remained unavailable to citizens due to lack of power. Therefore, a resilient electrical power service remains the single most comprehensive and critical factor to the future of the Island.

## II. Energy Allocation and Action Plan

On June 22, 2021, the U.S. Department of Housing and Urban Development (**HUD**) allocated \$1.9 billion for the improvement of Puerto Rico's electrical grid to provide long-term energy resilience to the most impacted and distressed areas and to low- and moderate-income (**LMI**) communities. It is important to understand, however, that the entire island of Puerto Rico was impacted by the hurricanes, and this fact was recognized by HUD in the Energy Notice (86 FR 32681) by declaring the entire jurisdiction as a "most impacted and distressed" area, which is unique in the context of disaster recovery.

This is an unprecedented allocation and, along with the U.S. Virgin Islands', the only one of its kind, so PRDOH has been working in close collaboration with HUD and other federal agencies throughout the Action Plan design and approval process. Since August 2021, PRDOH has met with relevant federal agencies, including the federal members of the Technical Coordination Team (**TCT**), as well as with various stakeholders such as municipalities, residents, non-profit organizations, academic institutions, and local government agencies to receive their input during the Action Plan development process. The TCT team, co-led by the U.S. Department of Energy (**DOE**) and the Federal Emergency Management Agency (**FEMA**), consists of a variety of key federal agencies, such as the U.S. Army Corps of Engineers (**USACE**), the Environmental Protection Agency (**EPA**), the United States Department of Agriculture (**USDA**), the Federal Communications Commission (**FCC**), the Government Accountability Office (**GAO**), and the U.S. Treasury, amongst others. We appreciate the valuable input these agencies have provided in the development of our energy recovery strategy.

On November 8, 2021, PRDOH published a draft of its Electrical Power System Improvements Action Plan on the CDBG-DR website for public comment to receive recommendations and comments to support the development of the Plan. Additionally, PRDOH held two public hearings as part of the efforts to inform the approach to address Puerto Rico's unmet energy needs. The Action Plan divides the allocation's budget between two programs: the Energy Grid Rehabilitation and Reconstruction (**ER1**) Cost Share Program (\$500,000,000) and the Electrical Power Reliability and Resilience Program (**ER2**) (\$1,316,406,180).

ENERGY PROGRAM	PROGRAMMATIC BUDGET	% OF BUDGET	LMI GOAL	LMI BUDGET
Energy Grid Rehabilitation and Reconstruction (ER1) Cost Share Program	\$500,000,000	26%	70%	\$350,000,000
Electrical Power Reliability and Resilience Program (ER2)	\$1,316,406,180	68%	70%	\$921,484,326

<b>ADMINISTRATIVE</b>				
Administrative Budget	\$96,617,350	5%	N/A	
<b>PLANNING</b>				
Planning	\$19,323,470	1%	N/A	
Total	\$1,932,347,000	100%	70% LMI*	\$1,271,484,326

\*LMI Calculation does not include Administration and Planning.

The purpose of the ER1 Program is to maximize the benefit from federal grant programs by positioning CDBG-DR as local match to other federal funding streams, in this case the FEMA Public Assistance allocation for electrical grid reconstruction. This approach will relieve the financial burden related to the recovery efforts of Puerto Rico's Electrical Grid and Puerto Rico's long-term infrastructure resilience needs. Through the matching of funding provided by other federal agencies, critical infrastructure needs will be addressed making the island more adaptable to changing conditions and able to withstand and recover rapidly from disruptions caused by future disasters.

The ER2 Program will provide assistance to create electrical system reliability and resilience through the implementation of decentralized renewable energy resources, including, but not limited to both small and large microgrid projects as allowed under Puerto Rico Energy policy. PRDOH is determined to serve the most vulnerable by prioritizing strategic projects for critical infrastructure and areas with demonstrated reliability and resilience challenges under the ER2 Program. Strategic projects will promote the integration of renewable sources of energy and distributed generation.

Experiences with previous disasters have taught us that critical infrastructure such as hospitals are some of the places where we are most vulnerable, having had to evacuate patients due to lack of power. Therefore, one of these strategic projects will be a microgrid for Centro Medico, which is the Island's main hospital complex and trauma center. We will focus on the implementation of targeted high-impact projects, in collaboration and with the guidance of partners such as the DOE and its national laboratories, while the larger long-term grid transformation projects are developed. It should also be noted that DOE collaboration is already embedded within program planning, design, strategic project selection, and implementation. This enables us to identify opportunities for alignment and to impact the populations that suffer the most in times of outages, while the PR100 study provides the blueprint for the comprehensive grid approach within the larger context covered by federal partners such as FEMA.

On January 24, 2022, PRDOH submitted the CDBG-DR Electrical Power System Enhancements and Improvements Action Plan to HUD for their review and approval. A few weeks later HUD provided a summary of the comments and recommendations made by HUD's internal cross-cutting requirements partners and members of the Energy TCT to inform revisions to the Plan. After considering the agencies' comments, on March

15, 2022, PRDOH submitted the revisions to the Plan for HUD's consideration. Finally, on March 25, 2022, HUD notified that the Action Plan was partially approved, pending additional project-specific information for the ER1 Program.

Through the execution of a grant agreement on August 5, 2022, of the \$1.9 billion allocation, PRDOH gained access to the \$1.4 billion budgeted for the ER2 Program. An amendment to the grant agreement for access to the remaining \$500 million will be executed once HUD approves the ER1 Cost Share Program through an Action Plan Substantial Amendment as requested by HUD. PRDOH has been coordinating with various stakeholders such as the Puerto Rico Electrical Power Authority (**PREPA**), LUMA, and others, with the purpose of identifying the projects that may be eligible for funding, as requested by HUD, for ER1 Program Approval, and to coordinate and assure consistency of all CDBG-DR funded electrical power system improvements with other disaster recovery and mitigation planning and development activities.

**III. Energy-related Activities under the CDBG-DR and CDBG-MIT Portfolios**

Before receiving the allocation for electrical power system enhancements and recognizing the need for energy resilience measures in Puerto Rico, PRDOH proactively carved out funds under its CDBG-DR and CDBG-MIT program portfolios to allocate funds to address household and community level energy resilience projects. These include \$300 million under the CDBG-DR Community Energy and Water Resilience Installations (**CEWRI**) Program which has already launched, and \$500 million under the CDBG-MIT CEWRI Subprograms.

The energy-related activities to be funded across the CDBG-DR and CDBG-MIT portfolios are intended to drive electrical system enhancements and improvements through a forward-thinking and holistic approach at individual household and community scales. These programs will complement the regional and grid-level scales to be addressed by the electrical system allocation. This will allow for a greater and more meaningful impact that targets Puerto Rico's most vulnerable.

SCALE	NEEDS SERVED	IMPACT	ESTIMATED PROJECT SIZE	INVESTMENT	GRANT SOURCE AND PRDOH PROGRAM
Individual	Household Resilience	~22k households	~3kW+	Up to \$20-30k per household	CDBG-DR CEWRI  CDBG-MIT CEWRI-HERI CEWRI-IP
Community	Community Resilience	~20 communities	~1MW+	Up to \$2M per community	CDBG-MIT CEWRI-CI

<b>Grid</b>	Grid Improvements – Transmission and Distribution			10% Non-Federal Match required for electrical systems recovery	<b>CDBG-DR Energy ER1</b>
	Grid Improvements – Grid reliability, affordability, and resilience through distributed generation, microgrids, and enabling technologies	~700MW in generation	~10-20MW	Minimum award of \$5M	<b>CDBG-DR Energy ER2</b>

#### IV. Streamlining Processes

##### a. Simplify Bureaucracy

##### i. LMI Impact

Energy is critical to life and continues to be an urgent need in Puerto Rico. PRDOH has been consistent in clarifying to HUD that, because the entire grid is interconnected and ninety-three percent (93%) of the population is considered to reside in LMI census tracts, improvements and enhancements to the grid will have a direct benefit to LMI households across the whole Island. However, HUD is requiring that PRDOH establish, by budget line item, how each individual project to be assisted under the energy programs will benefit LMI populations. Documenting the impact of an electrical project to the smallest area possible to indicate the specific LMI population that will be benefitted is a redundant administrative process given the Island's overall high-poverty makeup. Considering the fragility and current state of the system, which is in desperate need of reconstruction and rehabilitation, the recommended option for expediting recovery efforts should be to recognize electrical projects that benefit the Puerto Rico electrical power system as meeting the LMI requirement.

##### ii. TCT Consultation

Another area where processes may be streamlined is the TCT consultation process.<sup>1</sup> PRDOH has been conducting weekly collaboration meetings with DOE and its national laboratories, and they have reviewed and provided feedback on program guidelines, as well as on the program implementation and project selection strategy. However, according to the Energy Notice, 86 FR 32681 PRDOH must submit every electrical project for consultation to both HUD and DOE simultaneously, for these agencies to then notify PRDOH whether to submit the project for further consultation with the Energy TCT.

<sup>1</sup> See, Federal Register, 86 FR 32681, Section V.A.2.e.-Additional consultation requirements.

Relieving PRDOH from these consultation requirements, which includes projects that are assisted by FEMA and already approved by another federal agency, will accelerate project implementation.

### **b. Private Utilities Waiver Requests**

The Housing and Community and Development Act (**HCDA**) states that under the regular CDBG Program, a nonprofit or for-profit private utility may be assisted with CDBG funds as long as the utility is publicly regulated.<sup>2</sup> However, the Energy Notice, 86 FR 32681 contains a prohibition from providing assistance to privately-owned utilities. PRDOH made clear through the Action Plan and in meetings with federal partners our intent to provide assistance to private utilities as part of the ER2 Program to further renewable energy. On April 13, 2022, PRDOH submitted a consultation to HUD stating that "the exclusion of [...] privately-owned utility[ies] would make the ER2 Program's decentralized renewable energy approach impracticable and would severely hinder Puerto Rico's ability to meet its energy resilience and renewable energy goals."

On July 27, 2022, HUD advised PRDOH to submit the formal waiver request, which PRDOH did on August 31, 2022. Simultaneously, PRDOH decided to move forward and submit another waiver request to allow assistance to for-profit and non-profit privately-owned utilities under CDBG-MIT and CDBG-DR programs, as designed and already approved by HUD in both Action Plans. Both waiver requests are pending approval.

Hurricane Fiona put into perspective the need to expedite the approval of the privately-owned utilities waiver requests, and the need to swiftly approve the ER1 Program to quickly launch projects that will bring the much-needed energetic resilience the people of Puerto Rico deserve. Maintaining HUD's restriction on assistance to privately-owned utilities will cripple PRDOH's efforts to properly address the fragility of the Island's electrical power system. Hurricane Fiona also demonstrated, once again, that Puerto Rico's electrical power system is interconnected and that improvements and enhancements to the grid will benefit the Island as a whole, which is mostly LMI.

### **c. Lead-based Paint Abatement Requirements**

The CDBG-MIT CEWRI-HH Program (CEWRI-HERI and CEWRI-IP) has been developed to provide funds for the installation of photovoltaic systems (**PVSs**) and/or battery storage systems (**BSSs**) for households that own a single-family structure as their primary residence to provide participants with a resilient energy alternative during times of electric grid failure. Based on the CDBG-DR Repair, Reconstruction and Relocation (**R3**) Program data, approximately 55% of participating single-family residential properties were built prior to 1978. Of these, approximately 37% have tested positive for lead. The CDBG-MIT CEWRI-HH Program is expected to process around 14,000 applications. Therefore, it is

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<sup>2</sup> 24 C.F.R. § 570.201 (l).

expected that 7,700 applications will require a lead hazards assessment and that, of these, approximately 2,800 will require some abatement works.

Since the program activities will not disturb painted surfaces totaling more than 20 square feet on exterior surfaces or 2 square feet in any one interior room or space, PRDOH proposed to HUD a lead mitigation approach based on *de minimis* levels, which do not require PRDOH to conduct safe work practices such as paint testing, abatement, and clearance, but instead to establish interim controls during installations of PVSs and BSSs. However, the proposed approach was not approved, meaning that the CEWRI-HH Program will be required to conduct testing, abatement, and clearance at each residence. Due to this determination, PRDOH is in the process of procuring services for risk assessments and mitigation for an estimated total of \$39M. **This cost represents an equivalent loss of 1,560 households for the CEWRI-HH Program that would otherwise have had access to solar panels and batteries in their homes.**

## **V. Building on Success**

Since being designated as the CDBG-DR Grantee for Puerto Rico in 2018, PRDOH has built strong institutional capacity and has successfully disbursed over \$1.2 billion in CDBG-DR funds. Our more than 365 professionals have the experience of managing an extremely large and complex allocation, while earning an "on pace" expenditure classification from HUD.

Through the establishment of twenty (20) programs designed to provide grant opportunities to citizens, small businesses, municipalities, agencies, and non-governmental organizations, PRDOH is creating a significant impact on the local housing, infrastructure, economic, and planning sectors. To date, the R3 Program has completed the repair and reconstruction of 4,376 homes and awarded 2,927 relocation vouchers; the Non-Federal Match Program (**NFMP**) has issued over \$42.5 million in non-federal match disbursements; the Homebuyers Assistance (**HBA**) Program has provided assistance to 4,131 participants for a total of \$130.6 million disbursed; and the Small Business Financing (**SBF**) Program has issued over 2,610 awards for a total of \$114.5 million disbursed. We can proudly say that we have been able to directly impact over 11,715 families with access to safe housing.

We understand that time is of the essence in this critical effort and are fully committed to the expedited implementation of the abovementioned strategic projects as our part of Puerto Rico's recovery landscape.

## **VI. Conclusion**

We are working closely with our federal partners to streamline processes wherever feasible, as well as with key local partners such as the Puerto Rico Energy Bureau (**PREB**), Puerto Rico's Central Office for Recovery, Reconstruction and Resiliency (**COR3**), PREPA, and LUMA to ensure alignment as we launch the ER1 and ER2 Programs. The DOE and National Laboratories (**NREL**) have been allies to PRDOH by providing ongoing technical

assistance. Through this collaboration, DOE and NREL have reviewed and provided feedback on program guidelines, as well as on the program implementation and project selection strategy, and have assisted with data collection and analysis.

PRDOH looks forward to ongoing federal support as we move to execute targeted high-impact projects with expediency. I appreciate the opportunity to appear before this Committee and look forward to answering any questions you may have.

Sincerely,



William Rodriguez Rodriguez, Esq.  
Secretary, Puerto Rico Department of Housing