

April 8, 2019

To: U.S. House Committee on Natural Resources
Chairman Raúl Grijalva (D-AZ)
Washington, DC 20515
Via Margarita.Varela@mail.house.gov

From: ReImagina Puerto Rico

Subject: Hearing on the status of the rebuilding and privatization of the Puerto Rico Electric Power Authority (PREPA)

ReImagina Puerto Rico, an independent, non-governmental, non-partisan and inclusive body led by Puerto Ricans, presents the following statement in our efforts to **promote a just and coordinated reconstruction that maximizes benefits for all Puerto Ricans**.

ReImagina Puerto Rico was honored to participate in the Puerto Rico Senate's Energy Technical Advisory Committee, a bipartisan effort led by Senator Larry Seilhamer and Senator Eduardo Bhatia and other relevant non-profit organizations between May and October of 2018.

The Committee worked as a team to develop a recommendations report for the new energy public policy and regulatory framework for the Puerto Rico energy transformation process. This report served as the basis for Senate Bill 1121, approved by the Senate on November 6, 2018. Months later, the SB 1121 of 2018 was amended by the Puerto Rico House of Representatives, and after being discussed in a Legislative conference committee, it was approved by both the Puerto Rico Senate and House by March 25, 2019. This legislation currently sits on the desk of the Governor of Puerto Rico waiting for his signature. Therefore, as of this date, there is no law enacted that includes the new energy public policy and regulatory framework envisioned for the Puerto Rico energy transformation process that includes privatization of a monopoly.

There is an urgent need to convert into law and implement the new public policy and regulatory framework in order to make possible such energy transformation, specifically before privatization efforts occur and before the Puerto Rico Electric Power Authority (PREPA) finalizes its new Integrated Resource Plan (IRP). On February 13, 2019, PREPA filed its [proposed IRP](#). A month later, on March 14, 2019, the Puerto Rico Energy Bureau found the proposed IRP is not in compliance with sections of Regulation 9021 and returned it to PREPA for revisions.

Relmagina Puerto Rico presents the following additional information for the Committee to consider regarding the current status of the rebuilding and privatization of PREPA:

1. **The Puerto Rico energy transformation process needs to be executed with greater transparency and public participation** in order to assure decisions and actions respond to Puerto Rico's energy needs we have today and the ones anticipated in the future. This transformation needs to **address Puerto Rico's needs by transforming its electric power infrastructure into an affordable, reliable, innovative system, while reducing adverse impacts on human health and the environment**; this is the energy goal developed by the Energy Working Group of Relmagina Puerto Rico.
2. The Puerto Rico Public-Private Partnerships Authority (P3) is responsible for the PREPA privatization efforts according to Law 120-2018. The P3 Authority recently approved the *Regulation for the Procurement, Evaluation, Selection, Negotiation and Award or Partnership Contracts and Sale Contracts for the Transformation of the Electric System Under Act No. 120-2018, as Amended* on March 8, 2019. **This Regulation will need to be amended once SB 1121 is converted into law to make sure there is alignment with the new energy public policy and regulatory framework approved before privatization efforts commence.**
3. In 2018 the P3 Authority initiated a Request for Qualifications (RFQ) process to qualify candidates to operate and manage the PREPA transmission and distribution system (T&D) via a Public-Private Partnership. On January 17, 2019, the P3 Authority announced it had qualified the following four entities as a result of this RFQ process: Duke Energy Corporation; Exelon Corporation; PSEG Services Corporation; and a consortium composed of ATCO LTD, IEM and Quanta Services, Inc. The P3 Authority communicated they expected to select proponent by the third trimester of 2019 and that they would be issuing a Request for Proposals (RFP) for these four entities soon. To our knowledge, this RFP has not yet been published. **It is important that this process and other privatization efforts are aligned with the new Puerto Rico energy public policy and regulatory framework law (pending Governor's signature) and PREPA's Integrated Resource Plan (IRP).**
4. **A Partnership Contract related to a PREPA Transaction should include appropriate Key Performance Indicators (KPIs) that will allow to easily and effectively monitor and supervise the compliance of the partnership contract.** The Partnership Contract definition should include the use of KPIs.
5. If the P3 Authority will be responsible for signing and supervising Partnership Contracts for long-term PREPA transactions, it is important the P3 Authority has sufficient capable

permanent employees to perform these supervisory functions adequately, regardless if there is a change in administration. **The lack of permanent employees within the P3 Authority will not allow effective continuity of management and supervisory functions of Partnership Contracts if there is a change in administration. It is our recommendation that the supervisory functions after the consummation of any PREPA transaction be more clearly defined and assigned between the P3 Authority, the Puerto Rico Energy Bureau and PREPA.**

6. The P3 Authority's review and approval process, timeframes and requirements for reviewing and approving a Partnership or Sale Contract for PREPA transactions include up to seven entities within a process that is complex, long, inefficient, and difficult to obtain approval by all. **It is our recommendation that review and approval timeframes be established for all seven entities, possibly some performed concurrently when possible, in order to accelerate the time required for the transaction review and approval process.**
7. Due to the devastation caused by Hurricane María to the electrical system of Puerto Rico, PREPA received approval from the Puerto Rico Energy Bureau (PREB) to revise its Integrated Resource Plan (IRP). PREPA contracted Siemens Industry, Inc. to prepare the revised IRP, and recently submitted a draft for the review of PREB on February 12, 2019. Shortly after, PREB replied to PREPA that the IRP was non-compliant with regulatory requirements, and required PREPA to resubmit a revised IRP that complies with faults noted in their communication within 30 days after. **This IRP was not developed with public participation, as recommended and promoted by ReImagina Puerto Rico and many other relevant entities.** The public has the opportunity to participate in the PREB review process, mainly through hearings, but this will be a participation in response to an already completed draft plan. **Public participation before and during the development of the IRP would have been more effective in producing an IRP that responds to the public's needs. PREPA's 2018-2019 IRP must respond and comply with the new energy public policy and requirements in the new law (SB 1121) before being approved.**
8. **There is a need to increase renewables to the greatest extent possible in the next couple of years and minimize long-term investments in fossil fuel and natural gas generation.** The draft IRP submitted recently by PREPA does not accelerate and increase the production of power through renewables as much as it should and could, and it includes significant long-term power generation investments in non-renewables. The IRP must also integrate resilience measures into the electrical system as quickly as possible so that Puerto Rico is better prepared to withstand another natural disaster in the future.

9. **There is a need to clarify the new PREPA entity role and responsibilities upon privatization, and define the entity responsible for presenting and monitoring Puerto Rico's overall energy vision.** We are concerned that PREPA's approach will be focused on the centralized utility, but will not integrate the holistic electric power transformation. From the IRP, PREPA's is not defining, designing and promoting an energy infrastructure that integrates a utility that encompasses centralized and place-based infrastructures.

Relmagina Puerto Rico is a non-profit organization, created in January of 2018 after the impacts of Hurricanes Irma and Maria, that developed 97 recommendations in June of 2018 for the reconstruction and rebuilding of a stronger and more resilient Puerto Rico by integrating and engaging multiple voices and sectors from Puerto Rico during the outreach and engagement process. Relmagina Puerto Rico promotes a just and coordinated reconstruction that maximizes benefits for all Puerto Ricans. Some of the high impact energy recommendations developed by the Relmagina Puerto Rico participants include:

- **Increase the diversity of the energy fuel mix** with a decarbonizing energy transition by decreasing reliance on fuel oil, diesel and coal and increasing renewables.
- **Harden and modernize the transmission and distribution system** for a minimum of energy security and resiliency.
- **Develop the IRP with public participation and a risk-based approach** to assure the IRP meet's the public's needs and responds to what is needed for Puerto Rico today.
- **Establish and facilitate access to reliable and diversified back-up energy systems.**
- **Implement an island-wide energy efficiency and demand response strategy**, detailing and prioritizing cost-effective initiatives to reduce and balance energy demand.
- **Increase energy resilience for vulnerable individuals and critical facilities**, such as hospitals, schools, nursing homes, fire and police stations and emergency service facilities, among others.
- **Integrate microgrids, mini-grids and renewable energy to the T&D system to the greatest extent possible.**
- **Promote the revitalization of hydropower resources.** These can increase power generation and add renewable energy sources.

Relmagina is supporting key reforms and collaborative initiatives that foster resiliency and sustainability in key infrastructure sectors for the long-term reconstruction of Puerto Rico, specifically in the energy, housing, and water sectors.

Sincerely,



Malu Blázquez Arsuaga
Executive Director
ReImagina Puerto Rico