

U.S. House of Representatives
Committee on Natural Resources
Washington, DC 20515

October 26, 2017

Mr. Ricardo Ramos
Executive Director
Puerto Rico Electric Power Authority
1110 Ave Ponce De Leon
San Juan, PR 00907-3802

Dear Mr. Ramos:

On September 20, 2017, the Puerto Rico Electric Power Authority (PREPA) signed an “Emergency Master Service Agreement for PREPA’s Electrical Grid Reconstruction” with an engineering firm.¹ Under the contract, PREPA paid the firm \$3,700,000 to begin operations in the territory.² Subsequently, on October 17, 2017, PREPA and the same engineering firm entered into an amended version of the Emergency Master Service Agreement where PREPA agreed to pay up to \$300,000,000 to the firm for its service as the main contractor and supervisor in rebuilding the island’s damaged electric grid.³ This is the largest single contract awarded for relief efforts in the wake of Hurricane Maria.⁴ Recently, the selection process in awarding this contract has drawn scrutiny from various stakeholders.⁵

Specifically, the size and terms of the contract, as well as the circumstances surrounding the contract’s formation, raise questions regarding PREPA’s standard contract awarding procedures.⁶ The Committee is also examining PREPA’s decision to forego the activation of the mutual assistance program. “The mutual assistance program is a critical backstop in grid emergencies,” which pools public utility resources prior to, during, and after disaster incidents.⁷

¹ Steven Mufson et al., *Small Montana Firm Lands Puerto Rico’s Biggest Contract to get the Power Back on*, WASH. POST, Oct. 25, 2017, https://www.washingtonpost.com/national/small-montana-firm-lands-puerto-ricos-biggest-contract-to-get-the-power-back-on/2017/10/23/31cccc3e-b4d6-11e7-9e58-e6288544af98_story.html?tid=pm_pop&utm_term=.eec4fa9d6a11; see also First Amendment to Emergency Master Service Agreement for PREPA’s Electrical Grid Repairs – Hurricane Maria (Oct. 17, 2017) (on file with author).

² *Id.*

³ Nick Brown, *Puerto Rico and Whitefish Energy defend controversial \$300 million power contract*, BUSINESS INSIDER, Oct. 25, 2017, <http://www.businessinsider.com/puerto-rico-whitefish-energy-contract-hurricane-maria-2017-10>.

⁴ Donna Borak, et al., *Questions Swirl after Small Montana Firm Lands Puerto Rico Power Contract*, CNN MONEY, Oct. 25, 2017, <http://money.cnn.com/2017/10/24/news/economy/puerto-rico-whitefish-trump-contract/index.html>.

⁵ Mufson et al., *supra* note 1.

⁶ Sobczak & Northey, *supra* note 2.

⁷ David Ferris & Peter Behr, *Cash Crunch Slowed Puerto Rico’s Appeal for Grid Help, CEO Says*, E&E GREENWIRE, Oct. 9, 2017, <https://www.eenews.net/greenwire/stories/1060063083/>.

Restoring electricity to Puerto Rico is of paramount importance. Hurricane Maria was the strongest storm to hit the island since 1928 and is estimated to cost between 45 and 95 billion dollars in damages.⁸ As of October 24, 2017, only 18 percent of Puerto Rico has electricity.⁹ The Army Corps of Engineers estimates that it could take up to a year before power is fully restored.¹⁰ Rebuilding Puerto Rico's electrical infrastructure following its near complete destruction will be a challenging and technically difficult task. The island's topography, and heavily damaged infrastructure contribute to logistical challenges.

Unexpected, exigent circumstances may necessitate that certain emergency relief contracts be pursued and acted upon expeditiously. Transparency and accountability in government contracting, however, is not to be compromised. As per 48 U.S.C. § 2144, the Financial Oversight and Management Board for Puerto Rico (the "Board"), created with bipartisan support during the Obama Administration, statutorily maintains authority to review "certain contracts, including leases and contracts to a governmental entity or government-owned corporations"¹¹ Additionally, as announced yesterday, the Board intends to appoint Noel Zamot as Chief Transformation Officer for PREPA.¹² The Board's decision to appoint a Chief Transformation Officer was made under Title III of PROMESA. Further, the federal government is reviewing additional measures to ensure federal taxpayer dollars are spent in the most effective manner and that the island's recovery is effective and sustained.

As these developments progress, the Committee seeks to better understand PREPA's contracting process, the available oversight mechanisms, and specifically how PREPA decided to enter into the above-detailed "Emergency Master Service Agreement for PREPA's Electrical Grid Reconstruction." Therefore, to assist the Committee's oversight of Puerto Rico's recovery efforts, please provide the following documents and information to the Committee as soon as possible, but no later than 5:00 p.m. on November 2, 2017:

1. Documents sufficient to explain the processes under which PREPA enters into contracts with third parties to maintain, repair, and rebuild Puerto Rico's electrical grid;
2. Documents sufficient to show under what circumstances PREPA has authority to deviate from normal contracting and procurement processes and what officers, employees, or agents must approve such exceptions; and

⁸ Jill Disis, *Hurricane Maria could be a \$95 billion storm for Puerto Rico*, CNN MONEY, Sept. 28, 2017, <http://money.cnn.com/2017/09/28/news/economy/puerto-rico-hurricane-maria-damage-estimate/index.html>.

⁹ Kristen Tsai & Victoria Zaretskaya, *Puerto Rico's electricity service is slow to return after Hurricane Maria*, TODAY IN ENERGY, U.S. ENERGY INFORMATION ADMINISTRATION, October 24, 2017, <https://www.eia.gov/todayinenergy/detail.php?id=33452>.

¹⁰ Toni Moon Cronk, *Power Restoration in Puerto Rico Could Take Up to a Year, Corps Chief Says*, DOD NEWS, DEFENSE MEDIA ACTIVITY, Oct. 20, 2017, <https://www.defense.gov/News/Article/Article/1349844/power-restoration-in-puerto-rico-could-take-up-to-a-year-corps-chief-says/>.

¹¹ 48 U.S.C. §2144(b)(2).

¹² Press Release, Oversight Board to Appoint Noel Zamot to Oversee Electricity Sector Transformation (Oct. 25, 2017) (on file with author).

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3. Any and all documents and communications referring to or relating to the "Emergency Master Service Agreement for PREPA's Electrical Grid Reconstruction" entered into by PREPA on September 20, 2017 and the "First Amendment to Emergency Master Service Agreement for PREPA's Electrical Grid Repairs" entered into by PREPA on October 17, 2017.

In addition, please preserve all records, documents, data, and communications of any kind, regardless of format, that relate or refer to the "Emergency Master Service Agreement for PREPA's Electrical Grid Reconstruction" or any related amended or superseding contracts entered into by PREPA.

Please deliver your response to room 1324 of the Longworth House Office Building. The Committee prefers, if possible, to receive your response in electronic format. An attachment contains additional instructions for responding to the Committee's request.

Please contact John Strom and Melissa Beaumont of the Oversight and Investigations Subcommittee staff at (202) 225-7107 with any questions about this request. Thank you for your prompt attention to this matter.

Sincerely,



Rob Bishop
Chairman
Committee on Natural Resources



Bruce Westerman
Chairman
Subcommittee on
Oversight and Investigations

Enclosure

cc: The Hon. Raúl M. Grijalva, Ranking Member, Committee on Natural Resources
The Hon. A. Donald McEachin, Ranking Member, Subcommittee on Oversight and Investigations