



To: House Committee on Natural Resources Republican Members
From: Republican Committee Staff; Ken Degenfelder
(Ken.Degenfelder@mail.house.gov) and Jocelyn Broman
(Jocelyn.Broman@mail.house.gov)
Date: November 14, 2022
Subject: Full Committee Oversight Hearing on “*Puerto Rico’s Post-Disaster Reconstruction & Power Grid Development*”

The Committee on Natural Resources will hold a Full Committee hybrid oversight hearing entitled “*Puerto Rico’s Post-Disaster Reconstruction & Power Grid Development*,” on **Thursday, November 17, 2022, at 10:00 a.m. EDT in Longworth 1324** and online via Cisco WebEx.

Republican Members are encouraged to take advantage of the opportunity to participate in person from the hearing room.

Member offices are requested to notify Jocelyn Broman (Jocelyn.Broman@mail.house.gov) by 4:30 p.m. on Wednesday, November 16, if their Member intends to participate in person in the hearing room or remotely from another location. Submissions for the hearing record must be submitted through the Committee’s electronic repository at HNRCDocs@mail.house.gov. Please contact David DeMarco (David.DeMarco@mail.house.gov) should any technical difficulties arise.

I. KEY MESSAGES

- While the Financial Oversight and Management Board (FOMB), established pursuant to the Puerto Rico Oversight, Management, and Economic Stability Act (PROMESA),¹ has worked to resolve the government of Puerto Rico’s financial issues, the island and its residents have faced several recent natural disasters, including Hurricane Fiona which made landfall on September 18, 2022.
- Puerto Rico’s original electrical utility, the Puerto Rico Electric Power Authority (PREPA), has been challenged for decades by an aging electrical system and issues of financial mismanagement, and it has been a political flashpoint within the larger issue of the island’s debt crisis.
- PREPA is in the process of finalizing its debt restructuring, as well as implementing structural and operational improvements intended to help the public corporation be more

¹ 48 U.S.C. 2101 et seq.

sustainable and efficient. The FOMB, PREPA, and the utility's debtors did not reach a mediated settlement and are preparing to go through litigation to resolve the utility's \$9 billion debt.

- Privatization of PREPA took a significant step forward in 2021 when LUMA Energy, a private consortium, took control of electrical power transmission and distribution (T&D) in Puerto Rico on June 1, 2021, under a 15-year contract.
- Over the past year, there has been broad dissatisfaction and protests against LUMA related to many power outages, which have been significant in both frequency and duration, rising electricity rates, and a perceived lack of customer service. However, placing sole blame for the island's energy woes on LUMA ignores PREPA's current role as the generator of electricity, the legacy issues of PREPA's mismanagement of finances, and past underinvestment in infrastructure in the whole system.
- Over the last five years, much of the approximately \$80.3 billion authorized by Congress to the Federal Emergency Management Agency (FEMA) for recovery projects in Puerto Rico to address the impacts of hurricanes, earthquakes, and COVID-19 has not been expended due to liquidity issues facing the government of Puerto Rico and its ability to pay for recovery work as a prerequisite for FEMA reimbursement.
- The recent impact of Hurricane Fiona has only worsened the lag in rebuilding the island's electrical system to a satisfactory standard of resiliency and applied more social and political pressure on PREPA and LUMA to deliver better electrical service.

II. WITNESSES

- **Mr. Emilio Colón-Zavala**, Member, Board of Directors, Puerto Rico Builders Association, San Juan, PR [*Republican Witness*]
- **Mr. Eduardo Pardo**, President, Puerto Rico Chapter of the Associated General Contractors, San Juan, PR [*Republican Witness*]
- **The Hon. Honorable Pedro Pierluisi**, Governor of Puerto Rico, San Juan, PR
- **Mr. Manuel Laboy**, Executive Director, Central Office of Recovery, Reconstruction and Resiliency (COR3), Guaynabo, PR
- **Mr. William Rodríguez**, Secretary, Puerto Rico Department of Housing, Río Piedras, PR
- **Mr. Wayne Stensby**, Executive Director, LUMA Energy Corporation, San Juan, PR

- **Ms. Charlotte Gossett Navarro**, Puerto Rico Chief Director, Hispanic Federation, San Juan, PR
- **Ms. Ruth Santiago**, Attorney & Environmental Policy Expert, Salinas, PR

III. BACKGROUND

Puerto Rico's Public Debt Restructuring and PROMESA

The U.S. territory of Puerto Rico has long been plagued with recurring debt issues.² An aging population, high costs of social programs, and government pension obligations have made matters worse.³ By 2016, Puerto Rico had amassed roughly \$72 billion in bonded debt, \$55 billion in unfunded pension liabilities, and had effectively lost access to the capital markets.⁴ In June 2016, Puerto Rico suspended payments on its general obligation debt when *Puerto Rico Oversight, Management, and Economic Stability Act* (PROMESA) was signed into law.⁵

Debt restructuring is still ongoing with several public corporations' bonded debt, including PREPA. Since PROMESA was signed into law, the Financial Oversight and Management Board (FOMB) has overseen one of the largest restructurings of public debt in U.S. history. According to the FOMB, as of July 31, 2022, approximately 90 percent of the covered entities' debt has been restructured.⁶ In February 2019, a federal judge confirmed a plan of adjustment for bonds issued by the sales-and-use tax-backed funding authority, known as COFINA,⁷ reducing the value of all COFINA bonds by \$6 billion and debt service payments by 32 percent.⁸ In January 2022, a federal judge confirmed a plan of adjustment for General Obligation bonds, reducing the central government's debt from \$34 billion to \$7.4 billion.⁹

² For further information on this history see "The Long Build-Up to Puerto Rico's Debt Crisis" section in CRS report, "Puerto Rico's Public Debts: Accumulation and Restructuring" at <https://www.crs.gov/reports/pdf/R46788>

³ The Hill. "Puerto Rico governor signs bill to halve territory's debt" Oct. 27, 2021.

<https://thehill.com/policy/finance/578723-puerto-rico-governor-signs-bill-to-halve-territorys-debt>.

⁴ CRS, "Puerto Rico's Public Debts: Accumulation and Restructuring" p.1, 12. May 2, 2022.

<https://www.crs.gov/reports/pdf/R46788> (hereinafter CRS, "Puerto Rico's Public Debts"). See also, Wall Street Journal. "Puerto Rico Released from Bankruptcy as Economic Problems Persist" Jan. 18, 2022.

https://www.wsj.com/articles/puerto-rico-released-from-bankruptcy-as-economic-problems-persist-11642537090?mod=article_inline

⁵ Reuters. "Puerto Rico authorized debt payment suspension; Obama signs rescue bill" Jun. 30, 2016.

<https://www.reuters.com/article/us-puertorico-debt-idUSKCN0ZG09Y>

⁶ Financial Oversight and Management Board for Puerto Rico, "FY2022 Annual Report" July 31, 2022, p. 116, available at: https://drive.google.com/file/d/1e7TdoBoBI5rnHk8BGIWDGCVqNMPhn_5X/view (hereinafter, "FOMB FY2022 Annual Report").

⁷ Memorandum Opinion and Order Approving Settlement between Commonwealth of Puerto Rico and Puerto Rico Sales Tax Financing Corporation, U.S. District Court for the District of Puerto Rico, Case 17-03283, February 4, 2019, <https://cases.primeclerk.com/puertorico/Home-DownloadPDF?id1=OTAzMDUx&id2=0>.

⁸ FOMB FY2022 Annual Report, p. 120.

⁹ FOMB FY2022 Annual Report, p. 118. For a further detailed discussion of restructured debt including COFINA bonds, and General Obligation Bonds, see CRS, "Puerto Rico's Public Debts" p. 17-33.

<https://www.crs.gov/reports/pdf/R46788>.

The FOMB has worked with the territorial government of Puerto Rico and its instrumentalities to create and certify fiscal plans that provide parameters for healthy fiscal policy and aim to prevent another debt crisis. In the most recent Certified Fiscal Plan for the Commonwealth of Puerto Rico, the FOMB included provisions focusing on renewing investment in Puerto Rico, including civil service reforms and structural reforms to the labor system, energy system, and business climate on the island.¹⁰ These reforms need to be implemented by the Puerto Rico legislature, which has not always agreed with the FOMB on the best way to encourage economic growth in Puerto Rico.¹¹ In the FOMB's 2022 Annual Report, the Board noted that the Puerto Rican government has "struggled with implementing reforms and reporting on this implementation in a timely manner" causing progress to be "inconsistent and incomplete" with many reforms either delayed or not occurring.¹² This also has implications for disaster recovery since many of the Federal Emergency Management Agency's (FEMA) programs function as reimbursements and require receipts. For example, Puerto Rico's central government or its instrumentalities, must spend money on recovery projects before they can be reimbursed by FEMA.

Puerto Rico Electric Power Authority (PREPA)

PREPA is the primary power utility operating in the territory, providing power generation to more than 3 million people residing on the island. Formed in 1941, PREPA was a public corporation owned by the Commonwealth of Puerto Rico.¹³ As a government-controlled entity, the impression of many was that leadership posts at PREPA were coveted patronage jobs, believed to be held by individuals who were unqualified to hold these positions, contributing to the inefficiency of operations. For decades, PREPA was plagued by mismanagement, inefficiency, political cronyism, and a lack of transparency.¹⁴ The utility has a record of unacceptable rates of electricity theft, failure to collect accounts, including from government and municipal users, and a history of continually foregoing critical maintenance of the island's electrical infrastructure.

As an initial step in correcting these structural deficiencies, on May 27, 2014, Puerto Rico Act 54-2014 created what is now the Puerto Rico Energy Bureau (PREB) as an external regulatory entity to oversee policy compliance and rate adjustments. On February 16, 2016, the *PREPA Revitalization Act (Act 4-2016)* became law. As a condition of *Act 4-2016*, and in an effort to de-politicize the PREPA's governing board, a third-party consulting firm was hired to source industry professionals with experience in operating and managing major utility companies. Then-Governor García Padilla

¹⁰ FOMB FY2022 Annual Report, p. 43-44.

¹¹ Andrew Scurria and Ian Talley, "Puerto Rico FOMB Director Jaresko to Resign After Landmark Debt Deal" *Wall Street Journal* Feb. 3, 2022. <https://www.wsj.com/articles/puerto-rico-boards-director-to-resign-after-landmark-debt-deal-11643904378>

¹² FOMB FY2022 Annual Report, p. 54.

https://drive.google.com/file/d/1e7TdoBoBI5rnHk8BGIWDGCVqNMPPhn_5X/view

¹³ GAO-21-264. Puerto Rico Recovery. <https://www.gao.gov/assets/gao-21-264.pdf>; "About PREPA – History" <https://aeepr.com/en-us/QuienesSomos/Pages/History.aspx>.

¹⁴ Oversight Hearing: "Exploring Energy Challenges and Opportunities Facing Puerto Rico." http://naturalresources.house.gov/uploadedfiles/emr_hearing_memo_1_12_16.pdf

appointed these new members in November 2016 with the goal of establishing an independent, non-partisan Governing Board with the relevant experience and industry expertise necessary to make structural changes within the utility to increase managing efficiency.

In the ensuing years, *Act 120-2018*, the *Electric System Transformation Act*, and *Act 17-2019*, the *Puerto Rico Energy Policy Act*, made changes in the management of PREPA, towards divesting its generation, transmission and distribution assets and establishing new regulatory structures, opening the Puerto Rico market to competition. These laws also establish an energy policy goal of 100% renewable sources after 2050 and entrust PREB with overseeing compliance by the energy sector entities. The Department of Energy and FEMA are conducting the PR100 Study to seek to determine what would be the best way toward the island's renewable energy goal.¹⁵

PREPA is also currently restructuring its \$9 billion bonded debt. This restructuring is one of the largest remaining after the COFINA and General Obligation debt was restructured in 2019 and 2022, respectively. PREPA has been negotiating with bondholders since 2014 on reducing its debt obligations.¹⁶ There has been little progress because of a lack of popular and political support for the required rate increases that would be used to pay back the debt. Puerto Ricans pay much higher electricity costs than those living in the mainland United States. Residential electricity rates for the July 2022 period were 35.45 cents/kWh. The U.S. average was 15.46 cents/kWh for the same period.¹⁷ The District Court overseeing Puerto Rico debt cases has begun the litigation process after both a restructuring deal and mediation negotiations between PREPA, the FOMB, and bondholders were both unsuccessful.¹⁸

Public Private Partnership and LUMA

In June 2020, LUMA Energy LLC (LUMA) was awarded the contract to operate PREPA's electricity transmission and distribution (T&D) system,¹⁹ and on June 1, 2021, LUMA took control of Puerto Rico's electrical grid.²⁰ LUMA is a joint venture between Houston-based Quanta Energy and Calgary-based ATCO/Canadian Utilities Ltd., and

¹⁵ Department of Energy, Grid Deployment Office, "Puerto Rico Grid Resilience and Transitions to 100% Renewable Energy Study (PR100)" available at: <https://www.energy.gov/gdo/puerto-rico-grid-resilience-and-transitions-100-renewable-energy-study-pr100>.

¹⁶ Michelle Kaske, "Puerto Rico Power Utility Takes More Time to Reach Debt Deal" *Bloomberg*. Aug. 15, 2022. <https://www.bloomberg.com/news/articles/2022-08-15/puerto-rico-power-utility-takes-more-time-to-reach-debt-deal>

¹⁷ "Puerto Rico Territory Energy Profile," U.S. Energy Information Administration. <https://www.eia.gov/state/print.php?sid=RQ>.

¹⁸ Michelle Kaske, "Puerto Rico's Bankrupt Power Utility Heads Toward Litigation After Debt Talks End" *Bloomberg*. Sept. 19, 2022. <https://www.bloomberg.com/news/articles/2022-09-19/puerto-rico-power-utility-inches-toward-litigation-to-cut-debt>.

¹⁹ Puerto Rico Public-Private Partnership Authority, Press Release, "Government of Puerto Rico Selects LUMA Energy to Operate and Transform Electric Power Transmission and Distribution System" Jun. 22, 2020. <https://www.p3.pr.gov/wp-content/uploads/2020/07/govpr-selects-luma-energy-ope-trans-electric-power-transmi-dist-sis.pdf>.

²⁰ "In Puerto Rico, private company takes over power utility service." *Associated Press* Jun. 2, 2021. <https://www.nbcnews.com/news/latino/puerto-rico-private-company-takes-power-utility-service-rcna1091>.

their scope of work is defined by the Puerto Rico Transmission and Distribution System Operation and Maintenance Agreement with PREPA and the Public-Private Partnership Authority (P3).²¹ LUMA is not allowed to own or operate any of the electric power generation plants which provide electricity to customers of Puerto Rico. LUMA is also subject to ongoing regulatory oversight by the PREB.

The LUMA energy contract has been a political issue with opposition from many partisan, labor, academic, and non-profit sectors.^{22 23} Rate increases, continuing power outages that are significant in frequency and duration, and perceived lack of customer service have also eroded support for LUMA on the island.²⁴ Recent rate increases can be attributable to the increase of fuel prices, supply chain issues, and that PREPA is unable to negotiate long term contracts for fuel while they are in bankruptcy proceedings. Because PREPA is still solely responsible for electricity generation on the island, there is little LUMA can influence with respect to rate increases resulting from fuel price increases.

Beginning in January 2021, the new Puerto Rico legislature, with the majority of members opposing the contract, attempted to cancel LUMA's contract or postpone its effect, but failed due to the veto of the governor.²⁵ Over the summer, continuing blackouts spurred protests against LUMA²⁶ and criticism from Governor Pedro Pierluisi.²⁷

LUMA and its parent company, Quanta Services, have acknowledged that improvements are needed to reduce the frequency and duration of service interruptions, with a new initiative to meet that goal.²⁸ Quanta Services also acknowledged that better communication from LUMA to its Puerto Rican customers is needed. Work towards that goal is ongoing.

²¹ The Puerto Rico Public-Private Partnership Authority (P3) is a government-owned corporation of Puerto Rico created to regulate public-private partnerships.

²² Stephanie Gómez Álvarez, "Lúgaro, Dalmau Would Cancel Contract with LUMA Energy" *The Weekly Journal*. Sept. 17, 2020. https://www.theweeklyjournal.com/politics/1-garo-dalmau-would-cancel-contract-with-luma-energy/article_3c5ca040-f8ec-11ea-a2da-b7cfab428ed1.html.

²³ Nelson Reyes Faría, "Multiple Sectors Join Protests Against LUMA" *The Weekly Journal*. May 31, 2021. https://www.theweeklyjournal.com/online_features/multiple-sectors-join-protests-against-luma/article_e67a784e-c223-11eb-9991-2b97ae45d62d.html.

²⁴ Alejandra O'Connell-Domenech "Why are some Puerto Ricans demanding the island cancel its contract with power company LUMA Energy" *The Hill*. Sept. 10, 2022. <https://thehill.com/changing-america/sustainability/energy/3636534-why-are-some-puerto-ricans-demanding-the-island-cancel-its-contract-with-power-company-luma-energy/>

²⁵ Robert Slavin, "Puerto Rico governor vetoes delay to electric privatization" *The Bond Buyer* May 5, 2021. <https://www.bondbuyer.com/news/puerto-rico-governor-vetoes-delay-to-electrical-privatization>.

²⁶ *Supra* n. 24.

²⁷ "Puerto Rico governor publicly criticizes private company over power outages" *Associated Press*. Aug. 18, 2022. <https://www.nbcnews.com/news/latino/puerto-rico-governor-publicly-criticizes-private-company-power-outages-rcna43786>.

²⁸ Carlos Nogueras, "Puerto Rico's power utility unveils new initiative to overhaul current services" *Al Día*. Aug. 25, 2022. <https://aldianews.com/en/politics/policy/new-limited-luma-initiative>.

Puerto Rico has an aging electrical system that is reliant on costly imported fuel to generate electricity.²⁹ The system has not been adequately maintained and was devastated by Hurricane Maria.³⁰ All these factors contribute to PREPA and LUMA's problems in generating and distributing electricity across the island. Heaping blame on LUMA ignores PREPA's role in the generation of electricity and the legacy issues of PREPA's mismanagement of finances and underinvestment in infrastructure.

Natural Disasters Complicate Restructuring and Recovery

While the FOMB and the territorial government of Puerto Rico have been working on the island's financial issues, Puerto Rico has faced several natural disasters that have slowed the pace of restructuring the island's debts and general recovery, including both its economic recovery and recovery from the natural disasters.

Two major hurricanes in September 2017 passed directly over Puerto Rico, leaving massive damage in their wake. Five years after Hurricane Maria, much of the recovery is still ongoing.³¹ A series of major earthquakes in early 2020, and shutdowns related to COVID-19 have further delayed recovery and compounded issues.

On September 18, 2022, Tropical Storm Fiona strengthened into a category 1 hurricane as it made landfall on the southern part of Puerto Rico.³² As the center of the storm crossed the southwest corner of the island, it brought 85 mph winds and heavy rainfall to the island—up to 32 inches of rain falling north of the city of Ponce.³³ The effects of winds and rain on key electric transmission and distribution lines caused the electrical grid to go down and generation to go offline as a safeguard, with all 3.2 million residents losing power. On September 18, 2022, President Biden approved an emergency declaration for the island³⁴ and then a major disaster declaration a few days later.³⁵

²⁹ Puerto Rico imports all its petroleum and 2 sectors (transportation and electricity power) use approximately 90% of it. Puerto Rico Territory Energy Profile, *U.S. Energy Information Administration*.

<https://www.eia.gov/state/print.php?sid=RQ>.

³⁰ Madeline Rosenberg, "Puerto Rico's Electric Grid is On-Again, Off-Again" *The American Prospect*. Aug. 19, 2022. <https://prospect.org/environment/puerto-ricos-electric-grid-is-on-again-off-again/> and Sergio M. Marxuach, "The Short Memory of the Masters of Disaster." *The Center for a New Economy* (CNE) Oct. 20, 2021.

<https://grupocne.org/2021/10/20/the-short-memory-of-the-masters-of-disaster/>.

³¹ Gland Gamboa, "Lin-Manuel Miranda, others seek Puerto Rico silver lining" *ABC News* Sept. 14, 2022.

<https://abcnews.go.com/Business/wireStory/lin-manuel-miranda-see-puerto-rico-silver-lining-89882181>

³² Matthew Cappucci, et. al. "All of Puerto Rico without power as Hurricane Fiona slams island." *Washington Post*. Sept. 18, 2022. <https://www.washingtonpost.com/climate-environment/2022/09/18/fiona-puerto-rico-hurricane-outages/>.

³³ Lauren Tierney and Laris Karklis, "How Fiona was a different kind of storm than Maria" *Washington Post*. Sept. 21, 2022. <https://www.washingtonpost.com/weather/2022/09/21/how-fiona-maria-compare-wind-rain/>

³⁴ FEMA, "President Joseph R. Biden, Jr. Approves Emergency Declaration for Puerto Rico" Sept. 18, 2022.

<https://www.fema.gov/press-release/20220918/president-joseph-r-biden-jr-approves-emergency-declaration-puerto-rico>.

³⁵ FEMA, "President Joseph R. Biden, Jr. Approves Major Disaster Declaration for Puerto Rico" Sept. 22, 2022.

<https://www.fema.gov/press-release/20220921/president-joseph-r-biden-jr-approves-major-disaster-declaration-puerto-rico>.

Hurricane Fiona taxed Puerto Rico’s fragile electrical grid, which had been patched, but never fully repaired or upgraded following Hurricane Maria in 2017. Flooding has devastated vast areas of the island, with National Guard Brig. Gen. Narciso Cruz saying: “There were communities that flooded in the storm that didn’t flood under Maria...I’ve never seen anything like this.”³⁶ Hurricane Fiona also affected water infrastructure, leaving around half a million people in Puerto Rico without water, because many water stations need electricity to operate.³⁷

On October 14, 2022, LUMA announced restoration of power to the 1.46 million customers who lost power, and that it was demobilizing their emergency posture put in place after Hurricane Fiona hit the island.³⁸ It took LUMA 26 days to return electrical service to Puerto Rico. For comparison, after Hurricane Maria, some parts of the island were without power for over a year under PREPA control.

FEMA Response to Natural Disasters and Issues with Spending Federal Monies

According to Puerto Rico’s Central Office for Recovery, Reconstruction, and Resiliency (COR3), which was established after Hurricane Maria to manage post-disaster reconstruction, \$71.2 billion in federal funds has been obligated to Puerto Rico to assist with recovery from Hurricanes Irma and Maria, the 2019-2020 earthquakes, and COVID-19.³⁹ Only \$26.7 billion—less than half—of has been dispersed to recipients.⁴⁰

Given the extraordinary level of infrastructure damage and Puerto Rico’s financial position, alternate procedures were added to the Hurricane Maria presidential disaster declaration.⁴¹ These procedures were considered the best option for the territories because it provides more flexibility to rebuild facilities to meet current needs and build in mitigation through a fixed-cost estimate for projects.⁴² Under alternative procedures, a fixed-cost estimate must be agreed upon by the recipient and FEMA before work begins, and if the actual cost of the project exceeds the fixed cost, then the recipient is responsible for that overage.⁴³ In 2018, Congress authorized FEMA to restore disaster damaged facilities or systems providing critical services to industry standards without

³⁶ Associated Press, “Hurricane Fiona wallops Turks and Caicos; Puerto Rico stunned.” *E&E News*. Sept. 20, 2022. <https://subscriber.politicopro.com/article/eenews/2022/09/20/hurricane-fiona-wallops-turks-and-caicos-puerto-rico-stunned-00057714>.

³⁷ Dánica Coto, “Puerto Ricans desperate for water after Fiona’s rampage,” *Associated Press*. Sept. 21, 2022.

<https://apnews.com/article/floods-storms-hurricanes-bermuda-puerto-rico-e4066589502b4b2a0a441308216c7ed4>

³⁸ Press Release. “LUMA Restores Power to 1.46 million customers & begins process of demobilizing emergency posture” LUMA. Oct. 14, 2022. <https://lumapr.com/news/luma-restores-power-to-1-46-million-customers-begins-process-of-demobilizing-emergency-posture/?lang=en>.

³⁹ COR 3, “Financial Summary” <https://recovery.pr.gov/en/financial-analysis/financial-summary>.

⁴⁰ *Id.*

⁴¹ GAO. “FEMA Made Progress in Approving Projects, But Should Identify and Assess Risks to the Recovery,” GAO-21-264. May 2021, available at: <https://www.gao.gov/assets/gao-21-264.pdf>. (hereinafter “GAO-21-264”).

⁴² *Robert T. Stafford Disaster Relief and Emergency Assistance Act*, P.L. 93-288, as amended; GAO-21-264.

⁴³ GAO-21-264.

regard for pre-disaster conditions.⁴⁴ However, FEMA and COR3 have disagreed on how to implement these authorizations, resulting in delays and confusion.⁴⁵ A September 2022 hearing in the House Committee on Transportation and Infrastructure, pre-Hurricane Fiona, highlighted the challenges of long term recovery and lack of communication and coordination.

Financial and liquidity restraints have persistently hampered natural disaster recovery in Puerto Rico.⁴⁶ For example, FEMA Public Assistance is a reimbursement-based program, which requires that applicants request reimbursement for funds the recipient spends. This is a challenge in Puerto Rico, where the territory's agencies, municipalities, and nonprofits do not necessarily have financial reserves and access to initial capital to launch projects.⁴⁷

FEMA has made changes to address challenges and expedite obligations in the Public Assistance program, which improved obligation and expenditure of funds for recovery projects. However, there is still a lot of funding that could be used to modernize the electric grid that has not been expended due to the challenges of ongoing natural disasters and liquidity issues.

In 2020, FEMA obligated \$9.4 billion to PREPA for long term permanent reconstruction of the power system under the FEMA Accelerated Awards Strategy (FAASt). FAASt allows recipients to use sample information to extrapolate costs and develop a fixed-cost estimate for permanent work projects.⁴⁸ Disbursement of this obligation relies on the implementation of an Action Plan by the Puerto Rico energy sector players (PREPA, LUMA, PREB). The program is still in the early stages and actual submission of projects did not pick up speed until spring of 2022. This program has faced bureaucratic and political hurdles and public pushback as visions conflict about the means and ends for rebuilding.

Hurricane Fiona Recovery Efforts to Date

During the first month of the Hurricane Fiona response, FEMA has provided more than \$456 million in FEMA disaster assistance to more than 600,000 Puerto Rico households to assist with disaster recovery efforts.⁴⁹ In early October, President Biden announced the allocation of \$60 million from the *Infrastructure Investment and Jobs Act* (P.L. 117-58)

⁴⁴ FEMA. *Implementing Section 20601 of the 2018 Bipartisan Budget Act through the Public Assistance Program*. September 2018. Available at: https://www.fema.gov/sites/default/files/2020-05/Section_20601_BBA_FP-104-009-5.pdf.

⁴⁵ GAO-21-264 & GAO, "Puerto Rico Disaster Recovery: FEMA Actions Needed to Strengthen Project Cost Estimation and Awareness of Program Guidance," GAO 20-221. February 20, available at: <https://www.gao.gov/assets/710/704282.pdf>.

⁴⁶ GAO-21-264 & NPR, "How Puerto Rico's Debt Created A Perfect Storm Before The Storm." May 2, 2018. Available at: <https://www.npr.org/2018/05/02/607032585/howpuerto-ricos-debt-created-a-perfect-storm-before-the-storm>.

⁴⁷ GAO-21-264. Puerto Rico Recovery. <https://www.gao.gov/assets/gao-21-264.pdf>

⁴⁸ *Id.*

⁴⁹ Press Release, FEMA, "Hurricane Fiona One Month Later" <https://www.fema.gov/press-release/20221019/hurricane-fiona-one-month-later-joint-efforts-and-community-engagement-pave>

for improvements to help prevent future hurricane damage, including projects like levees and flood walls.⁵⁰ Several members of Congress have also visited Puerto Rico and toured the damage from the hurricane.

Puerto Rico's Requests for Hurricane Recovery

On September 26, 2022, Governor Pedro Pierluisi sent a letter to Congressional leadership, with several requests to assist Puerto Rico with recovery from Hurricane Fiona and other previous natural disasters. These requests include both temporary changes to programs and long-term or resiliency focused requests, as well as adequate funding for disaster relief.⁵¹ Temporary changes include items like a temporary 100 percent Federal Medical Assistance Percentage (FMAP) for Puerto Rico's Medicaid Program, access to Disaster Supplemental Nutrition Assistance Program (SNAP) benefits for food assistance to those affected by Hurricane Fiona, and deadline extensions and flexibility for recovery efforts. Long-term requests include funding for rooftop solar systems for low and middle-income communities and administrative integration and rationalization of multiple disaster declarations that could help reduce bureaucratic requirements so recovery projects can be funded under one set of rules and hopefully get planned, started, and finished faster.

Continued high inflation will also continue to strain recovery efforts, as prices increase for both old and new projects that will restore and integrate resiliency into transportation infrastructure, housing, and electrical systems in Puerto Rico.

⁵⁰ Emma Kinery, "Biden promises support for Puerto Rico's Hurricane Fiona recovery as Florida cleans up after Hurricane Ian" *CNBC*. Oct. 3, 2022. <https://www.cnbc.com/2022/10/03/joe-biden-vows-support-for-puerto-ricos-hurricane-fiona-recovery.html>.

⁵¹ Letter from Governor Pedro R. Pierluisi to Congressional Leadership, Sept. 26, 2022. Available at: <https://www.puertoricoreport.com/wp-content/uploads/2022/09/Pierluisi-letter-9-22.pdf>.