

**EXAMINING CHALLENGES IN
PUERTO RICO'S RECOVERY
AND THE ROLE OF THE
FINANCIAL OVERSIGHT AND
MANAGEMENT BOARD**

OVERSIGHT HEARING

BEFORE THE

COMMITTEE ON NATURAL RESOURCES
U.S. HOUSE OF REPRESENTATIVES

ONE HUNDRED FIFTEENTH CONGRESS

FIRST SESSION

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OVERSIGHT HEARING ON EXAMINING CHALLENGES IN PUERTO RICO'S RECOVERY AND THE ROLE OF THE FINANCIAL OVERSIGHT AND MANAGEMENT BOARD

**Tuesday, November 7, 2017
U.S. House of Representatives
Committee on Natural Resources
Washington, DC**

The Committee met, pursuant to notice, at 10:09 a.m., in room 1324, Longworth House Office Building, Hon. Rob Bishop [Chairman of the Committee] presiding.

Present: Representatives Bishop, Gohmert, Lamborn, Wittman, McClintock, Pearce, Thompson, Labrador, Tipton, LaMalfa, Westerman, Graves, Hice, LaHood, Webster, Bergman, Cheney, Johnson, González-Colón, Gianforte; Grijalva, Napolitano, Bordallo, Costa, Sablan, Tsongas, Lowenthal, Beyer, Torres, Gallego, Hanabusa, Barragán, Soto, McEachin, Brown, Clay, and Gomez.

Also present: Representatives Serrano, Gutierrez, Velazquez, and Ruiz.

The CHAIRMAN. The Committee on Natural Resources will come to order.

I welcome you all here today. We are meeting to hear testimony on examining the challenges in Puerto Rico's recovery and the role of the Financial Oversight and Management Board.

I ask unanimous consent that the gentleman from California, Mr. Ruiz; the gentleman from New York, Mr. Serrano; the gentleman from Illinois, Mr. Gutierrez; and the gentlewoman from New York, Ms. Velazquez, all be allowed to sit with the Committee and participate in the hearing. And I notice at least three of you are already here, thank you.

Hearing no objections, that is so ordered.

Under Committee Rule 4(f), any oral opening statements at the hearing are limited to the Chairman, the Ranking Minority Member, and the Vice Chair. This will allow us to hear from our witnesses sooner. I am asking unanimous consent that any other Member that has an opening statement, they will be made part of the hearing record if they are submitted to the Subcommittee Clerk by 5:00 p.m. today.

Once again, without objection, that will be so ordered.

First, I appreciate the witnesses being on the panel. Let's start with the opening statements first, and I will recognize myself for the original opening statement.

**STATEMENT OF THE HON. ROB BISHOP, A REPRESENTATIVE
IN CONGRESS FROM THE STATE OF UTAH**

The CHAIRMAN. We are here today to look at the hurricane-impacted territories of Puerto Rico and the Virgin Islands. Next

week, the governors from Puerto Rico and the Virgin Islands will be here with us also to testify.

Before we start, I want it very clear that our thoughts and prayers are with those who are still suffering in the Virgin Islands and Puerto Rico, as well as in Florida and Texas who have suffered these hurricane damages. I also want to thank the emergency responders for all their hard work and kind efforts and what they have done.

There is still a humanitarian crisis going on in Puerto Rico and the Virgin Islands, but today we are going to concentrate on Puerto Rico. The hurricanes may have gone, but now mudslides are threatening people. So, this is not over yet, and there is much work that still has to be done.

Today, the Committee is going to examine the challenges to recovery in Puerto Rico and the role of the Financial Oversight and Management Board.

The two hurricanes that hit may have been historic, but they exposed a state of affairs in Puerto Rico that existed well before any of the hurricanes made landfall. Decades of mismanagement led to a paralyzing debt burden. Last year, Congress stepped forward with a bipartisan PROMESA bill that was signed into law to try to rectify this particular problem.

The Board has, so far, been focused on governance reform. But now, with this hurricane, there is also other work that the Board must be doing, and the Board's work has become even more complicated as we move forward.

For example, we have to deal with the Puerto Rico Electric Power Authority, known as PREPA, which was already bankrupt, severely mismanaged, with a long history of inadequate maintenance and political cronyism.

Recovering the power grid remains of paramount interest and importance to us. Energy is not only important to the people's lives in the emergency situation, but if Puerto Rico is to economically recover and become vibrant, it has to have reliable, abundant, and affordable energy. And that is really one of the key elements if we are going to do anything whatsoever with that.

I appreciate the appointment of the Chief Transformation Officer of PREPA, and I appreciate the fact that the Board is now looking at contract review policies as part of the role of PROMESA. These are decisions that make it important, because we do not want another situation like Whitefish to happen again, which may have had some initial purpose to it, but the procedure was certainly suspect. And I appreciate that there has to be some kind of oversight for this going through there.

What we are concerned with today is making sure that the Oversight and Management Board, the PROMESA board, has the tools they need to fulfill this responsibility and move forward, and also has cooperation. We have four entities down there on the island that are working on the recovery. There is the Commonwealth government, the Oversight Board, and there are also two Federal agencies, FEMA and the Army Corps of Engineers. All four of them have to work together. Otherwise, it is simply chaos. This cannot be an adversarial situation. And what we are going to do today is make sure that we have the tools necessary to see that go

into fruition. The Board is not going to go away until their job happens to be finished at some particular time.

So, in today's hearing we are not going to ascribe blame. I hope we don't try to play politics. Our goal is to fix the problems and help the people. The problems in Puerto Rico and the Virgin Islands are too serious for us to politicize and try to make headlines. We owe the citizens more than that.

Last week, or yesterday, actually, Mr. Graves came back from Puerto Rico with Representative González. Ten days ago, there were five of us that went down there: Mr. Denham, Mrs. Torres, Mr. Brown, myself, and Ms. González, along with the Majority Leader and the Minority Whip, to see firsthand what is happening down there in both the Virgin Islands and in Puerto Rico. It is very clear from what we saw that the devastation and the suffering is sobering, and it is real.

[Slide.]

The CHAIRMAN. What was the positive aspect of this is, even though their homes are broken, their spirits are not. We went into the interior, not staying around San Juan, into this particular community. As you can see, there was a bridge that connected the one side of the valley with the other side of the valley where the stores and the roads and the community were. That bridge was washed out in the hurricane. That is all that is left.

The ingenuity of those 22 families on the other side is brilliant, because they have jerry-rigged this contraption, which means it simply is a zip line with a supermarket cart attached to it, where they can take it from the one side, where the stores are, put the supplies in, and then manually bring it across to the other side, a very ingenious contraption.

It is also one of those things in which we were able to, you notice there is a very wooden ladder going up, give me the next slide, if you would.

[Slide.]

The CHAIRMAN. And Tony here actually, Representative Brown, was the first one to go across the river bed, to go up that ladder, followed by the rest of us. I promise you OSHA did not actually certify that particular ladder.

As we all walked to the other side to meet those 22 families that are not there, give me the next one, if you could, and I think Mrs. Torres can verify this, going down was a lot slower than it was going up. Yes, that ladder.

[Slide.]

The CHAIRMAN. But this is what I found on the other side. The Governor and Representative González are there, and I have to give kudos to Representative González. No one works harder to try to help her constituents down there than Representative González has. She is not only the first female Representative from Puerto Rico, she is also the youngest they have ever had. And that energy is shown every time she has gone with every single group that has gone down there, to show them exactly what is taking place in that time.

But what I want to point out is the teenager that is standing with us right there. I had the opportunity of meeting that kid on the other side. He is one of the 22 families that are cut off from

the rest of the village, using the zip line and the wooden ladder, just trying to get from side to side.

But that kid was amazing. He was a fascinating kid, he was interested in what was going on, he was intellectual, he was fluent, and he wanted to become involved in the future. I was so excited talking to him, because that kid, that kid, is the future of Puerto Rico. That kid is why I know that Puerto Rico is not just going to recover, they are going to succeed. And the spirit that he had is the kind of spirit we saw in all of the citizens with whom we were talking that realize they were not after some kind of blame, they are simply after a way of making their lives better.

What I want our Committee to do, which has general jurisdiction over there, is to make sure that we have the tools for the Board, and we have the tools for the government to make sure that the dreams that that kid has will be realized. That is Puerto Rico to me.

[The prepared statement of Mr. Bishop follows:]

PREPARED STATEMENT OF THE HON. ROB BISHOP, CHAIRMAN, COMMITTEE ON
NATURAL RESOURCES

Good morning. This meeting is a continuation of oversight of hurricane-impacted territories of Puerto Rico and the U.S. Virgin Islands. In addition to today's hearing, next week we will hear from the governors of Puerto Rico and the U.S. Virgin Islands.

Let me begin with thoughts and prayers for these communities, and offer thanks to emergency responders and everyone involved for their bravery during hardship. In both territories, the devastation is overwhelming.

Today, the Committee will examine recovery challenges in Puerto Rico and the role of the Financial Oversight and Management Board.

Hurricane Maria, although historic in its severity, exposed the tragic state of affairs that existed on the island well before its landfall. Decades of mismanagement led to a paralyzing debt burden. The government and its municipalities, already constrained by the fiscal crisis, are now severely overwhelmed despite Federal support.

Last year, Congress took a step forward to help Puerto Rico restructure and reform with the creation of a Federal Oversight Board under a law known as PROMESA that was signed into law on a bipartisan basis in July 2016. Since their appointment, the Board has focused on governance reform, the formulation of fiscal plans and budgets for the territory and the facilitation of debt restructuring. With the recent devastation, however, the Board's work has become even more difficult and complicated.

For instance, the Puerto Rico Electric Power Authority, known as PREPA, was already bankrupt and severely mismanaged with a long history of inadequate maintenance and political cronyism. Restoring the power grid is paramount to immediate emergency needs. Long-term energy transformation is equally important. Transparent accountability at PREPA, now and moving forward, is essential for both to succeed. The Board will play a critical role ensuring all parts of this puzzle align.

The Board's actions in this regard include the appointment of a Chief Transformation Officer of PREPA, Mr. Noel Zamot, and the implementation of a contract review policy in accordance with PROMESA. Both steps will add needed transparency, accountability and structure to the island's recovery.

While there is no question the Board provides a critical nexus for Congress and the Administration to carry out a coordinated recovery effort, there are concerns whether the tools the Board possesses can meet the challenge and ensure long-term success. Transparent accountability at all levels is essential to a sustained recovery with the full support of Congress. With this imperative in my Committee, and strong cooperation between the Commonwealth, the Oversight Board and Federal partners—including FEMA and USACE—we can achieve a viable path forward for Puerto Rico.

[Slideshow.]

Ten days ago, a congressional delegation led by the House Majority and Minority Leader, visited both territories and Florida. In Puerto Rico, residents are still suffering. The infrastructure is demolished in many areas. Communities remain isolated.

During our visit to the central mountainous region of Puerto Rico, we met with residents in the remote town of Utuado. A bridge connecting the main north-south road was entirely wiped out. The residents had built a pulley system overhanging the divide. Attaching a shopping cart to the line, the jerry-rigged contraption was their lifeline to food, water and supplies. We all walked across the river and up the stairs. We spoke with residents. The conversations were fascinating. While homes are broken and lives have been lost, spirits are not.

In this context, the point today isn't to ascribe blame or browbeat or play politics. The goal isn't to shame for shame sake. The goal is to fix problems and help people. The problems in Puerto Rico are too serious for us to politicize or seek headlines. We owe these citizens more than that.

I thank our witnesses for appearing today and look forward to today's testimony.

The CHAIRMAN. With that, I apologize for going over, but I didn't care, I wanted you to see that kid.

[Laughter.]

The CHAIRMAN. I will yield to the Ranking Member.

STATEMENT OF THE HON. RAÚL M. GRIJALVA, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF ARIZONA

Mr. GRIJALVA. Thank you, Mr. Chairman. Yourself, and the Members that have gone to Puerto Rico, have been on the ground, and have firsthand experience and observations about the urgency and the need for this Congress to respond in a proactive and transparent way, and in a way that deals with the emergency and the urgency as it is now. As we go forward, how do we build sustainability, resilience for the long-term, both in the economy and the growth of the rebirth of the infrastructure on the island of Puerto Rico.

If a man is drowning in the ocean, you don't stop to tell him he should take swimming lessons. If a woman is having a heart attack, you don't take time to preach to her about the value of a low-fat, gluten-free diet. Instead, you act immediately to save lives. Our American brothers and sisters living on the island of Puerto Rico are drowning in the ocean. Their water, sewer, transportation, electricity, health, and banking systems are in the midst of what we would consider grave danger, if not close to a fatal heart attack.

Puerto Rico, quite frankly, does not need a lecture. They don't need advice. What Puerto Rico needs, at this juncture in time and in history, is help, our help.

A month-and-a-half after Hurricane Maria hit the island with winds of 150 miles per hour, we still find two-thirds of the Puerto Rico households without electricity, and 20 percent are without potable, safe drinking water. The island continues to see landslides, the record flooding that occurred, hundreds of blocked roads, thousands of fallen trees, and damaged homes and buildings. Tens of thousands of people have left Puerto Rico, and thousands of businesses remain closed.

Puerto Rico's government expects an estimated cash loss of \$1.7 billion as a result of reduced collections, with an additional \$1.18 billion loss in power and water income. Those two agencies are currently running on cash reserves.

The American people in Puerto Rico are counting on us to help rebuild the island, starting with the basics. The disaster supplemental spending package we passed is a start, but we need to do much more, and we need to do it immediately.

The decimated electrical grid and water and sewer systems must be restored, and no more sweetheart deals to fly-by-night companies. That needs to stop, and it needs to stop immediately, as well.

FEMA was slow to arrive and slow to engage. Even the President's most recent amendment to the disaster declaration issued on November 2 requires a 10 percent cost match for certain assistance, while piling on extra requirements. These attempts to get more blood out of a stone also need to stop.

Once the lights are back on, and the families have access to clean drinking water and medical care, then Congress can turn its attention to the future of the island and its economy. We should not be asked to look away from this Administration's embarrassing recovery effort, and respond to Puerto Rican families not with the help they need, but with the help that would please investors.

To use this natural disaster as an excuse to give even more advantages to investors who bear much of the responsibility for the shameful fiscal crisis that Puerto Rico finds itself in is wrong. To use this natural disaster as an excuse to say that those living on the island no longer deserve flood prevention regulations or strong protections for clean air and clean water, or that they no longer deserve the chance to participate in transparent, public planning processes would be wrong.

Title V of PROMESA already gives investors the dual gift of deregulation and privatization for no-bid infrastructure projects. If the Majority would like to use the hurricane devastation to ram these projects through even faster, then that would be a mistake. How is it in the interest of the people of Puerto Rico to get rid of the ability for the public to comment on these projects, or to remove the Energy Commission's authority to make sure that the project will work with long-term grid plans? The Oversight Board has enough power and doesn't really need more.

Our response to human suffering has to be about food, shelter, and water first, not deregulation or politics. It is time to assess the damage, get a real relief package together as fast as possible, and start rebuilding in a sustainable way.

I hope that all my colleagues will join me in getting resources to the people who need them most, and resist the urge to haggle over the price tag or insist on weakening environmental standards and public processes in exchange for aid needed to save lives and rebuild communities.

[The prepared statement of Mr. Grijalva follows:]

PREPARED STATEMENT OF THE HON. RAÚL M. GRIJALVA, RANKING MEMBER,
COMMITTEE ON NATURAL RESOURCES

Mr. Chairman, if you see a man drowning in the ocean, you don't stop to tell him he should take swimming lessons. If a woman is having a heart attack, you don't take time to preach to her about the value of a low-fat diet. Instead, you act immediately to save lives.

Our American brothers and sisters living on the island of Puerto Rico are drowning in the ocean. Their water, sewer, transportation, electricity, and banking systems are in the midst of what could be a fatal heart attack.

Puerto Rico does not need a lecture. They don't need advice. Puerto Rico needs our help!

A month and a half after Hurricane Maria hit the island with winds of 150 miles per hour, more than two-thirds of Puerto Rico households are still without electricity and 20 percent are without drinking water. The island has seen landslides, record flooding, hundreds of blocked roads, thousands of fallen trees, and damaged homes and buildings. Tens of thousands of people have left Puerto Rico and thousands of businesses remain closed.

Puerto Rico's government expects an estimated cash loss of \$1.7 billion as a result of reduced collections, with an additional estimated \$1.18 billion loss in power and water income. Those two agencies are currently running on cash reserves.

The American people in Puerto Rico are counting on us to help rebuild the island, starting with the basics. The disaster supplemental spending package we passed is a start, but we need to do much more and we need to do it now.

The decimated electrical grid and water and sewer systems must be restored; no more sweetheart deals to fly by-night companies.

FEMA was slow to arrive and slow to engage. Even the President's most recent amendment to the disaster declaration issued on November 2 requires a 10 percent cost match for certain assistance while piling on extra requirements. These attempts to get more blood from this stone need to stop.

Once the lights are back on and families have access to clean drinking water and medical care, then Congress can turn its attention to the future of the island and its economy. But now, we are being asked to look away from this Administration's embarrassing recovery effort and respond to Puerto Rico families, not with the help they need, but with the help that pleases investors.

To use this natural disaster as an excuse to give even more advantages to the investors who bear much of the responsibility for the fiscal crisis would be shameful. To use this natural disaster as an excuse to say that those living on the island no longer deserve flood prevention regulations or strong protections for clean air and water, or that they no longer deserve the chance to participate in transparent, public planning processes would be wrong.

Title V of PROMESA already gives investors the dual gift of deregulation and privatization for no-bid infrastructure projects. The Majority would like to use the hurricane devastation to ram those projects through faster.

How is it in the interest of the people of Puerto Rico to get rid of the ability for the public to comment on these projects, or to remove the Energy Commission's authority to make sure the project will work with long-term grid plans? As if the Oversight Board didn't already have enough power.

Our response to human suffering has to be about food, shelter and water first, not deregulation or politics. It's time to assess the damage, get a real relief package together as fast as possible and start rebuilding in a sustainable way. I hope my Republican colleagues will join me in getting resources to the people who need them most, and resist the urge to haggle over the price tag or insist on weakening environmental standards in exchange for aid needed to save lives and rebuild communities.

Mr. GRIJALVA. With that, Mr. Chairman, I yield back.

The CHAIRMAN. Thank you. I appreciate that. We will now recognize our witnesses who are here.

I would first like to recognize, starting from my left: Ms. Natalie Jaresko, who is the Executive Director of the PROMESA Board; Mr. Noel Zamot, the Revitalization Coordinator of the Financial Oversight and Management Board for Puerto Rico; and also Mayor Pérez Otero, who is here. I appreciate you getting here at the last moment. I realize it was a rush job to get here. Thank you for joining us.

I speak German, I don't speak Spanish, so when you are recognized, you are going to tell us the name of your community and where it is, because otherwise no one will ever find it if I try to do that. So, thank you for being here.

I also want to say I am a little bit chagrined. We were originally going to have a couple more panelists here. Last night, two of the

witnesses decided not to be here. One was the PROMESA Director. He was here specifically to talk about Whitefish.

[Laughter.]

The CHAIRMAN. I am sorry, PREPA, the PREPA Director. He was going to be here to answer the questions about the Whitefish contract. I understand there are circumstances that require their efforts back on the island, but I am sad that it is going to be there.

A couple of weeks ago we requested some documents. Those documents arrived very late last Friday. We have only looked through them very, very briefly. Already there are some other circumstances within those documents that add more questions, which means at some point I would like those to be answered, and someone needs to look at that perhaps next week.

When the Governor is here with others, we can have somebody from PREPA go through that. So, I am very disappointed they are not here to answer our questions today, but that is the way it is, because, obviously, we will take them at their word that their work there on the island is significant, it is important, and it needs to be done here.

Mr. Brown, you were not here originally when I showed the slides. I did show the slides of you going down the mountainside, going through the river, and up that ladder. I just want you to know that you still have your athleticism and dexterity, because you put mountain goats in Utah to shame with the way you went down and climbed back up again. And it is your fault, because you were the first one to go over, and you kind of shamed the rest of us into following you.

[Laughter.]

The CHAIRMAN. Do you want to respond?

Mr. BROWN. Mr. Chairman, as a point of personal privilege, I do want to, in all seriousness, thank you for ensuring that I was able to accompany you, Leader McCarthy, and Whip Hoyer on what I thought was an important and enlightening delegation to Puerto Rico, the U.S. Virgin Islands, and the Keys, and I hope later today to be able to share some of my observations. Thank you, Mr. Chairman.

The CHAIRMAN. No, thank you. Thank you very much. And thanks to all the Members who actually have been down there. I mentioned to Representative Graves that you just came back from there yesterday.

Eventually you will shave, right? Never mind, never mind.

[Laughter.]

Mr. GRAVES. You know, Mr. Chairman, I have been seeking to be more like you for some period of time now. And I was going to color my hair white, but I decided that my wife would not be happy about that. So, I decided to grow a beard and put little white speckles in there.

The CHAIRMAN. If you are going to be like me, it is going to be more than just speckles.

[Laughter.]

The CHAIRMAN. All right. Now, to get on to significant stuff, let me turn to Ms. Jaresko from the Board for your testimony.

I would like to coach all the witnesses that our Committee Rules give you 5 minutes for oral testimony. Your written testimony is

already part of the record. Anything you want to add to it will be part of it. If you have not been here before, these are manual microphones, so you have to turn them on to speak. And please watch the clock in front of you.

When the green light is on, that means everything is cool. When it hits yellow, that means, like in traffic in the United States, you have to speed up as fast as you can. When it goes to red, that is when I want you to stop. And don't make me have to cut you off. I do it with our Members with glee, but I don't want to do it with you guys.

So, Ms. Jaresko, if you would, you are recognized for 5 minutes.

**STATEMENT OF NATALIE JARESKO, EXECUTIVE DIRECTOR,
FINANCIAL OVERSIGHT AND MANAGEMENT BOARD FOR
PUERTO RICO, SAN JUAN, PUERTO RICO**

Ms. JARESKO. Thank you, Chairman Bishop, Ranking Member Grijalva, members of the Committee, and Mayor Pérez. I am Natalie Jaresko, Executive Director of the Puerto Rico Financial Oversight and Management Board. Thank you for this opportunity to update the Committee on the work of the Board and the situation in Puerto Rico in light of the tragic damage done to the island and its people by Hurricane Maria and, to a lesser extent, Hurricane Irma.

I have submitted written testimony for the record, and I look forward to the Committee's questions. I want to use my oral statement to make just a few points.

First, I want to thank this Committee, Congress, the Administration, and the American people for the generous just-passed emergency aid package. Likewise, we are deeply grateful for the extraordinary efforts of FEMA, the U.S. military, the Army Corps of Engineers, and all those involved in this historic relief effort.

I also wish to acknowledge the tireless efforts of Governor Rosselló, his administration, local mayors, and all those in Puerto Rico who are saving lives and supporting the recovery efforts.

Having served as Minister of Finance of Ukraine in times of war and fiscal crisis, I understand the complicated and often difficult measures that are required in times like these. I lived through the painful process of determining how to use limited funds to ensure that government could effectively govern, despite the realities. And I know the importance of the need to restore confidence and build a recovery that inspires individuals and businesses to play their vital and valuable ongoing role in rebuilding Puerto Rico.

As you well know, the Board was established by Congress to support the fiscal and economic turnaround of Puerto Rico, as well as to restructure the sizable debt obligations that the Commonwealth and a number of governmental entities have incurred over the years. The Board is fully authorized to deal with the fiscal and debt issues that Puerto Rico faced before Hurricane Maria.

After the hurricane, it is even more critical that the Board be able to operate quickly and decisively. The Board, therefore, asks that Congress underscore the importance of this Board in this post-hurricane environment by clarifying that we have this critical role to play in any Federal funding that the Congress appropriates, which will, in large measure, define Puerto Rico's future, given the

devastation to the economy and in any long-term liquidity mechanism.

Clarification in these regards will provide us with more agility and certainty, avoid time-consuming and costly litigation, and reduce the risks to the overall fiscal and economic recovery of Puerto Rico.

I would like to conclude by outlining four ways we have been pursuing our mission since the hurricane.

First, disciplined liquidity assistance processes. In my written testimony, I have tried to summarize the hurricane-caused liquidity needs as we best see them. In short, because of the damage to the ability to collect revenues, the disruption of the underlying economic activity, and storm recovery spending, the Commonwealth and its instrumentalities are facing billions of dollars in cash shortfalls, just to provide the basic functions of government.

It is essential that the process of providing liquidity assistance does not become detached from the fiscal plan process that is the essence of our charge under PROMESA. The longer-term solution that Congress is contemplating in the next emergency supplemental should, in our view, have formalized mechanisms to tie liquidity relief to the fiscal plans.

Second, revision of those fiscal plans. We are well aware that, just as you have stated, Mr. Chairman, we will have to revise the certified fiscal plans in light of the hurricane's devastation. This process will take several weeks. The Board will hold three listening sessions to which all stakeholders are invited to provide input to those fiscal plans, as part of the revision process. And we have also agreed with the Federal mediators to hold two additional sessions with creditor stakeholders.

Our aim is to move deliberately to prepare and approve revised plans, and the deadline for the Commonwealth, PREPA, and PRASA to submit these draft fiscal plans to the Board is December 22, 2017, with review and revision ongoing through the certification date of February 2, 2018. Deadlines for other entities will follow closely on the heels of that.

Third, a chief transformation officer for PREPA. As the Committee is aware, the Board has recently named Noel Zamot as Chief Transformation Officer of PREPA, with all the powers of a CEO, and reporting to the Board. We believe this is absolutely essential, both to restoring service as soon as possible, and to creating a sustainable, efficient, resilient, and fiscally accountable power system for the island.

While the Board is confident that PROMESA, coupled with fundamental aspects of bankruptcy law, gives us the power and responsibility to do as we have done, some parties are vigorously contesting our authority and proceedings before the Title III judge. To avoid uncertainty and lengthy delays in litigation, congressional reaffirmation of our exercise of our authority is welcome.

Fourth, contract review. We have also implemented a contract review policy as a tool to ensure transparency throughout the government for the benefit of the people of Puerto Rico and all stakeholders. The policy applies to all contracts in which the Commonwealth or any covered instrumentality is a counter-party,

including those with the Federal Government, state governments, and private parties. The policy provides that all contracts of \$10 million or more must be submitted to the Board for its approval before execution.

In addition, the Board retains the authority to adopt other methods, such as random sampling of contracts below that \$10 million threshold, to assure that they promote market competition and are not inconsistent with the approved fiscal plan.

Again, Mr. Chairman, Ranking Member, and members of the Committee, we deeply appreciate your concern for the American citizens who live in Puerto Rico. And on behalf of the Board, I pledge to continue to work with you to do all we can to meet the new challenges and to achieve PROMESA's goals. I look forward to your questions.

[The prepared statement of Ms. Jaresko follows:]

PREPARED STATEMENT OF NATALIE JARESKO, EXECUTIVE DIRECTOR, FINANCIAL
OVERSIGHT AND MANAGEMENT BOARD FOR PUERTO RICO

Chairman Bishop, Ranking Member Grijalva and members of the Committee, I am Natalie Jaresko, Executive Director of the Puerto Rico Financial Oversight and Management Board (the "Board"). Thank you for this opportunity to update the Committee on the work of the Board and the situation in Puerto Rico in light of the tragic damage done to the Island and its people by Hurricane Maria and to a lesser extent Irma. Puerto Rico and its residents were engaging in often heroic efforts to help those who suffered greatly from Irma when Maria unleashed its fury on us. My testimony will concentrate on the Maria-caused challenges.

First, I want to thank this Committee, Congress, the Administration and the American people for the generous, recently-enacted emergency aid to the Island along with support for our fellow citizens in Texas, Florida, California and USVI. Likewise, we are deeply grateful for the efforts of FEMA, the U.S. military, the Army Corps of Engineers and all those involved in this historic relief effort. I also wish to acknowledge the efforts of Governor Rosselló, local mayors, and all those in Puerto Rico who are saving lives and supporting the recovery efforts. Maria was the worst storm to hit Puerto Rico in the past 100 years. The entire island was devastated.

As you know, the Board was established by Congress to support the fiscal and economic turnaround of Puerto Rico, as well as restructure the sizable debt obligations that the Commonwealth and a number of additional governmental entities in Puerto Rico have incurred over the years. The terrible impact of Hurricane Maria makes these challenges both more difficult and more urgent. The Board and I have been working every day to make sure that we are providing the kind of support, leadership and oversight necessary to help the Island.

The day after Hurricane Maria hit, the Board provided Governor Rosselló with the authority to reallocate up to \$1 billion of the Commonwealth's budget to give the government flexibility to respond to the most pressing needs presented by the first weeks of the crisis. Shortly thereafter, we focused on the need for emergency liquidity assistance to deal with the fact that the hurricane caused revenues to drop and expenditures to increase. We worked closely with the Governor and his staff to estimate the dimensions of the cash-flow shortfall caused by the hurricane's damage and disruption. We jointly presented the results of that work to the Administration and Congress. Again, we thank the Administration and Congress for including liquidity relief via the Community Disaster Loan Program with the other essential assistance provided in the emergency supplemental legislation. We know that longer term liquidity to keep the government functioning and to provide key basic services to the residents of the Island is a subject that we will need to continue to work to address with the Governor, Congress and the Administration.

I served as Minister of Finance of Ukraine after the Revolution of Dignity and during the war in the east. I understand the complicated and often difficult measures that are required in times of crisis. I lived through the painful process of determining how to use limited funds in the Treasury to ensure the government could effectively govern despite the realities. I know the importance of the need to restore confidence and build a recovery that inspires individuals and businesses to play their valuable ongoing role in rebuilding Puerto Rico. The work of recovery and

rebuilding will be long and taxing. In many ways it has barely begun. For these reasons, we will continue to do everything in our power to help the Governor and local authorities in the ongoing efforts.

The hard truth is that the Island now needs help—emergency and restoration funds and assistance on an unprecedented scale. Before the hurricanes, the Board was determined that Puerto Rico and its instrumentalities could achieve balanced budgets, work its way through its debt problems, and develop a sustainable economy *without* Federal aid. That is simply no longer possible. Without unprecedented levels of help from the United States government, the recovery we were planning for will fail.

More immediately, there are areas of pressing need—problem areas turned into full-blown emergencies by the hurricanes. These include energy, water, housing, and health care. While conditions have improved—for example, distribution of fuel has normalized and grocery store shelves have been restocked—the Island continues to lack electricity, which will not only frustrate economic recovery but impacts daily life, particularly for people who need access to refrigeration for their medicines. Thousands remain in shelters, including seniors, people with disabilities and the bedridden. Tens of thousands of houses do not have roofs, and the installation of temporary tarps will not be completed for months.

In PROMESA, Congress charged us with guiding and overseeing the restoration of the Island to fiscal health via long-term fiscal planning and annual balanced budgeting, restoring its ability to access private capital via both debt restructuring and economic development, and, as part of that, helping the Island transition to a sustainable economic model that provides opportunities for our citizens.

We are all too well aware, and as you, Mr. Chairman, and this Committee well knows, that Hurricanes Irma and Maria have made our job much more challenging. The hurricane-caused damage has added greatly—and will add greatly—to the financial distress of the Commonwealth and its instrumentalities. In our view, while our job has become more difficult, it has also become ever more important.

Every dollar of relief funds must be used to address the hurricane-caused needs of those on the Island and to meet the extraordinary challenges of rebuilding a more resilient Puerto Rico with a revitalized economy. It would be tragic if the hurricane-recovery efforts were not integrated into the broader and lasting plan for economic recovery upon which the Board and the Government were focused prior to the hurricane.

Central to avoiding such outcomes will be rethinking and adapting the Fiscal Plans created before the hurricanes in a way that is cognizant of the on-the-ground realities of a hurricane-devastated island but that does not lose sight of our charge to restore Puerto Rico to long-term financial health. I will describe in some detail in this testimony how we are approaching the dual challenges.

Hurricane Maria and the infusion of Federal rebuilding funds it will involve likewise raise questions about how to apply PROMESA to the challenges ahead which were not part of the original thinking when PROMESA became law.

OUR WORK PRE-MARIA

The period after the passage of PROMESA and before Hurricanes Irma and Maria stretched a little more than a year. In that time, much had been done to fulfill our charge to work with the government of Puerto Rico to ensure Puerto Rico achieves fiscal balance, to provide a path for its return to the capital markets, and to restore economic growth and opportunity for the people of the Island.

Consistent with its charge under PROMESA, the Board conducted an independent and comprehensive analysis of Puerto Rico's fiscal situation. Before the hurricanes, Puerto Rico had over \$74 billion in debt, over \$53 billion of unfunded pension liabilities, an economy that had contracted nearly 15 percent over the last decade, and a nearly 50 percent poverty rate. In addition, Puerto Rico's structural budget deficits were projected to average 50 percent of recurring revenues. Severe liquidity challenges and persistent budget deficits have contributed to a perilous lack of investment in infrastructure.

The certified Fiscal Plan for Puerto Rico and those for its covered instrumentalities charted a path for a turnaround without new Federal funding. The fiscal and structural reform measures—from transforming the energy sector and modernizing labor laws to reducing government spending by approximately 30 percent over 3 years—were ambitious and required unprecedented levels of effort by the government of Puerto Rico.

The government of Puerto Rico was acutely aware of the difficult choices necessary to achieve fiscal balance and restore economic growth when it developed 10-year Fiscal Plans for Puerto Rico and its instrumentalities, as was the Board

when it assessed, amended and certified them. The government of Puerto Rico had begun the hard work of implementing the changes required by the Fiscal Plans via the adoption and certification of the first fiscal year budget compliant with the Fiscal Plan, which included reducing subsidies, increasing tax compliance, taking on direct payment of pensions in the budget, and beginning a 3-year process of rightsizing the government. More medium-term work had begun on deeper pension reform, as well as healthcare reform that would reduce forecast costs some 30 percent within 10 years.

PUERTO RICO'S NEW REALITY

Puerto Rico is faced with a unique set of circumstances—the largest public entity restructuring in the history of the United States combined with the greatest hurricane devastation to strike in 100 years.

Liquidity

Let me shed some light on Puerto Rico's liquidity situation. The devastation has destroyed critical infrastructure, making revenue collection extremely difficult. Moreover, Hurricane Maria has caused severe damages to the private sector. Many businesses were forced to shut down due to structural damage, while those able to continue operating will likely incur substantial losses due to the additional expenses they must make in order to stay open, such as purchasing and running generators for electricity. Puerto Rico's tax revenue collection will be severely impacted.

At the same time, operating expenses during this period, such as paying for essential services, will remain generally the same, while disaster-related expenses will increase relative to the baseline, which had not contemplated a historic hurricane. In addition, there is a timing mismatch between when disaster-related expenses are incurred and when, if at all, FEMA reimburses the government for those expenses.

Therefore, without support from the Federal Government, Puerto Rico would run out of cash by the end of this quarter. That means no money to make payroll for teachers, police, and first responders, or pay pensions and other liabilities. This puts the Commonwealth, with limited cash on hand, in a liquidity crisis.

In the first weeks after the hurricane, the Board and the government jointly produced an estimate of the size of this liquidity crisis based on the best available data. The extent of the short-term impact of the hurricane on the capacity of the Commonwealth and its instrumentalities is illustrated by the work we did with the government in estimating its cash requirement through the end of this year to be approximately \$5 billion. The government subsequently revised the estimate to \$3.6 billion to account for the facts that the government has been able to receive FEMA advances to pay for expenditures and FEMA has been directly paying other Federal agencies, such as the U.S. Army Corps of Engineers. The original \$5 billion estimate did not anticipate either of these developments.

The liquidity analysis relied on many factors, some of which are difficult to forecast. For example, we know that Puerto Rico is experiencing a massive population exodus, but the exact amount of that exodus is unknowable. We used a figure of 5 percent, or 170,000 people through the end of the calendar year. The number is certainly alarming, but not far from reality. In fact, Florida Governor Rick Scott has said that since October 3, more than 90,000 Puerto Ricans have arrived in Florida through Miami, Orlando, and Port Everglades.

Most of the revised liquidity shortfall estimate of \$3.6 billion results from updates to disaster relief funding assumptions. In particular, the funding requirement has been reduced by approximately \$1.5 billion to account for the fact that most disaster relief spending is presently being funded directly and wholly by FEMA, rather than being processed through Puerto Rico's Treasury Single Account with a reimbursement lag and a partial cost share. The estimate for recovery expenditures was based on the public portion of total reconstruction costs from Hurricane Katrina, scaled to the population and construction costs of Puerto Rico, and taking into account a timing lag of reimbursements which is typical in recovery situations. The forecast will continue to be updated to reflect official damage assessments and updated relief funding projections as that data becomes available.

We have also worked with the government to provide a more medium-term perspective. Our initial estimates of the Island's liquidity over the next seven quarters, including the present quarter, for which Congress has already provided liquidity assistance, are in the range of \$13 to \$21 billion, but they are currently being revised. This is the amount of money we, along with the government, project is necessary to ensure provision of the basic functions of government, keep on the job policemen, firemen, teachers, healthcare workers and all public service employees who are helping in the hurricane recovery efforts, and advance the funds required for recovery before FEMA reimburses.

As Congress considers its support for Puerto Rico, it will be vital that any loans or grants provided to meet these needs be measured against the Fiscal Plans and integrated with them. The mechanisms of PROMESA and the full participation of the Board will be required. We have proposed legislative language to this end with regard to liquidity. It would require the Board to certify all requests for liquidity advances. This will assure that only *hurricane-caused* liquidity advances will be sought.

Fiscal Plan Revision

We are well aware that—just as you have stated, Mr. Chairman—we will have to revise the certified Fiscal Plans in light of the hurricanes’ devastation. Working closely with the government of Puerto Rico, it is essential to use the process of revising Fiscal Plans to return to the PROMESA goals of fiscal responsibility, access to private capital markets, and sustainable economic independence. The baseline of the existing certified Fiscal Plans and their associated budgets provides critical information against which to measure the changes caused by the hurricane. But the existing Fiscal Plans do not provide a map for the post-hurricane future and do not provide timely oversight. In this light, the process of thinking through the nature and scope of the changes to Puerto Rico’s economy post-hurricane has already begun.

Responding to the humanitarian crisis on the Island must be the government’s first priority, and the Fiscal Plans must be revised to reflect that priority—just as they must be revised to reflect the economic-realities of hurricane devastation. Fiscal and structural reforms need to be reviewed in light of the new baseline that results from this disaster. A critical additional element in the Fiscal Plan process will be understanding the amount of Federal funding for rebuilding which we understand will be made available later this year once more detailed damage assessments can be provided. These Federal funds will be essential to understanding the economic assumptions, projections and capital expenditure plans that will drive much of the revised Fiscal Plan. Revisions to the Fiscal Plan are necessary due to four primary reasons:

- First, the Commonwealth’s ability to collect revenues has been significantly compromised as a result of the serious negative effect of infrastructure damage and population outflows on underlying economic activity.
- Second, recovery-related expenses are substantial, not all will be reimbursed by Federal aid, especially if local share requirements are not waived, and are not currently accounted for in the existing fiscal plans.
- Third, many of the cost-saving measures built into the budgets—the reduction in certain subsidies incorporated into the certified budget, for example—must be looked at with a fresh perspective given the demands of the recovery process.
- Fourth, the “Federal line” will be significantly larger than the existing Fiscal Plans. It is important to note that the revised plans will reflect any and all capital expenditures funded by FEMA or other Federal recovery assistance. It will also involve any revisions to Medicaid funding.

The Board has outlined nine principles for the Government to guide the work on revised Fiscal Plans:

- *Principle 1:* The fiscal plan must reflect the current demographic trends, economic challenges, hurricane damage assessments, Federal funding commitments, and a government, both the central government and local governments, sized to this post-hurricane reality.
- *Principle 2:* The revised fiscal plan must cover 5 fiscal years, the first fiscal year being FY 18 and concluding with FY 22.
- *Principle 3:* To properly establish an accurate assessment of the fiscal outlook, the base-case scenario within the fiscal plan must assume no additional Federal support beyond that which is already established by law. Nevertheless, fiscal plans should be adjusted as additional Federal funding is committed.
- *Principle 4:* The revised fiscal plan must provide sufficient resources to ensure appropriate immediate emergency response and recovery effort in anticipation of Federal funds, including provision of public safety, health care and education, in order to avoid increased outmigration—particularly by working families and working age populations. The fiscal plan must include metrics focused on the improvement of living standards, e.g. education, health care, job creation.

- *Principle 5:* Pension reform, corporate tax reform, and other structural reforms necessary to improve the business climate must remain priorities in the fiscal plan.
- *Principle 6:* Based on available and dedicated resources, the capital expenditure plan must provide the basis for a long-term economic recovery plan for Puerto Rico, focusing on increased and expedited support for rebuilding critical infrastructure such as energy, water, transportation and housing.
- *Principle 7:* The fiscal plan must include the resources to complete the FY15 Commonwealth consolidated audited financial statements by no later than December 31, 2017, and FY16 and FY17 Commonwealth consolidated audited financial statements by no later than June 30, 2018. Thereafter, Commonwealth consolidated audited financial statements should be issued no later than within 6 months of the fiscal year-end.
- *Principle 8:* Structural balance should be achieved as soon as possible, in any event by no later than FY22, after taking into account the period of time required for the stabilization of Puerto Rico's humanitarian crisis.
- *Principle 9:* The fiscal plan must be accompanied by a long-term debt sustainability analysis (DSA) and detailed economic projections, reflecting a 30-year period.

Finally, the Commonwealth's Fiscal Plan revision process is based on three key components:

- Revising macroeconomic driver effects on revenue and expenses,
- Adapting fiscal and structural reform schedules based on the recovery timeline and feasibility, and
- Integrating recovery funds and reimbursement timing with a capital plan.

This process will require us to make the best possible analytical projections on the basis of all data available. However, given the level of uncertainty, it is important to note that unlike the original fiscal plan which covered 10 years, the revised fiscal plan will cover 5 years, as required by PROMESA, with the first fiscal year being FY 18 and concluding with FY 22.

In an effort to incorporate input from all stakeholders, the Board will hold three listening sessions to which all stakeholders are invited to provide input to the Fiscal Plans as part of the revision process. They each will be a full day in duration; two of them in Puerto Rico, and one in New York City. In addition, we have agreed with the court-appointed mediators to hold two additional sessions with creditor stakeholders. The government will participate in these sessions as well.

Our aim is to move deliberately to prepare and approve revised Fiscal Plans. The reason is simple: a revised fiscal plan is key for the government to move forward in requesting Federal funds, outlining structural and fiscal reforms, implementing capital expenditure plans, and enabling proper oversight on a timely basis, as required by PROMESA. The deadline for the Commonwealth, PREPA, and PRASA to submit draft Fiscal Plans to the Board is December 22, 2017 with review and revision ongoing through the goal certification date of February 2, 2018. The deadline for the University of Puerto Rico, HTA, GDB, and COSSEC to submit draft Fiscal Plans to the Board is February 9, 2018 with review and revision ongoing through the goal certification date of March 16, 2018.

In keeping with PROMESA's purposes, it will take great discipline, transparency and accountability to make the best use of Federal and Commonwealth rebuilding funds. To the full extent possible, the rebuilding of hurricane-damaged Puerto Rico should serve PROMESA's goal of a financially sustainable Puerto Rico enabled by a resilient and vibrant economy that makes sense for the Commonwealth.

Contracts Review Policy

We have also taken other steps to fulfill our mandate under PROMESA. As we embark on the immense task of rebuilding Puerto Rico in the wake of Hurricanes Irma and Maria, we expect the government to enter into numerous large contracts. We have implemented a Contract Review Policy ("Policy") as a tool to ensure transparency throughout the entire government for the benefit of the people of Puerto Rico and all stakeholders. The Policy is implemented pursuant to Section 204(b)(2) of PROMESA to assure that contracts promote market competition and are not inconsistent with the approved fiscal plan. It also follows sections 204(b)(3) and 204(b)(5).

In establishing the Policy, the Board is mindful of Section 204(d)(2) of PROMESA and does not intend to impede the government's implementation of any Federal programs, particularly those related to disaster response and recovery. To the contrary,

the Board established the Policy in large part to support the government's implementation of Federal programs, including, for example, to ensure that contracts are consistent with the requirements of Federal programs, particularly those related to funding and reimbursement for disaster aid spending. Non-compliance with Federal requirements could cause substantial fiscal costs to be borne by the Commonwealth, having a severely adverse fiscal effect on compliance with fiscal plans.

The Policy applies to all contracts in which the Commonwealth or any covered instrumentality is a counterparty, including those with the Federal Government, state governments, private parties, and nonprofit organizations. The Policy provides that effective November 6, 2017, all contracts or series or related contracts, inclusive of any amendments or modifications, with an aggregate expected value of \$10 million or more must be submitted to the Board for its approval before execution. In addition, the Board retains the authority to adopt other methods, such as random sampling of contracts below the \$10 million threshold, to assure that they promote market competition and are not inconsistent with the approved fiscal plan.

The Oversight Board is prepared to review contracts in a timely manner. As such, we have identified an internal working group to take the lead on the contract review process. We look forward to working hand-in-hand with the government of Puerto Rico to ensure the upmost transparent, fair, and competitive contracting processes.

Appointment of Chief Transformation Officer for PREPA

PREPA is a case in point of an entity within the government that needs to be transformed. Past mismanagement has led to an outmoded, unstable, patch-work grid and an inefficient and unduly expensive power sector. Rebuilding efforts should be integrated into the planning that avoids reprising past mistakes. We should plan and build for a better power sector and one that can move rapidly toward attraction of private capital to ensure the most effective transformation of the power sector.

As a critical step toward this, the Board has appointed Noel Zamot, the Board's current Revitalization Coordinator, as the Chief Transformation Officer of PREPA in accordance with its authority under Title III of PROMESA. The Title III court set a hearing for November 13, 2017 to consider our motion. In bankruptcy proceedings, it is common practice for a debtor in possession to name a Chief Transformation Officer, sometimes also referred to as a chief restructuring officer, to help turn around organizations and manage them while in bankruptcy. This is no different, but certainly more urgent.

Upon confirmation by the court, Noel's task will be to lead the transformation of PREPA and the rebuilding of the electricity sector following the devastation of Hurricane Maria. His immediate priority will be to fast-track reconstruction efforts on the Island in close coordination with the government of Puerto Rico, the Board, and the Federal Government. In addition, Noel will be fully committed to bringing the resources necessary to restore electricity to the people of Puerto Rico as quickly as possible, and to re-activate the economy and bring normalcy to the Island.

The appointment of Noel is an essential step in achieving the goal of providing Puerto Rico residents and businesses reliable, resilient and reasonably priced electricity supply, which will also require attracting the private capital we need to revitalize the power sector. Our vision for the future of Puerto Rico's energy sector is simple: a more modern, efficient and resilient power sector to revitalize the economy and deliver a better future for the people of Puerto Rico.

Role of the Oversight Board

PROMESA and its tools were not written for responding to or recovery from a catastrophic hurricane. The reality in which we operated prior to the devastation is much different than Puerto Rico's current reality. The tools to rebuild a more resilient and economically viable Puerto Rico now include significant Federal funds, and we see the Board having an active role in ensuring those monies are used in the best interest of the Island. For us, ensuring fiscal controls to deliver confidence in the government is key. The role we can play is clear, but we remain cognizant that in several occasions in which we have exercised our authority, there has been substantial opposition, often resulting in litigation.

QUESTIONS

I will now turn directly to the questions the Committee has posed to us:

1. What is the Board doing now to fulfill its oversight function, specifically with respect to revision of Fiscal Plans?

As indicated above, careful, principled and transparent revision of the Fiscal Plans is essential. We are actively engaged, along with the government, in the analytical work that underlies that process. The extent of Federal aid in the year-end

disaster relief package Congress is planning is obviously a key variable. The “Federal line” will constitute a very significant change from the existing Fiscal Plans. As you know, the earlier plans were balanced without any Federal assistance. The revised plans will reflect any and all capital expenditures funded by FEMA or other Federal recovery assistance. It will also involve any revisions adopted to Medicaid funding. As soon as we know that and have had an opportunity to study its impact, we will have all we need to work with the government in finalizing revised Fiscal Plans. We aim to complete Board certification in the first week of February 2018 for the Commonwealth, PREPA, and PRASA.

We are also reviewing and renewing all of the liquidity estimates we submitted to Treasury and Congress with the government over the last few weeks. The passage of a few months should give us a better idea of the extent of revenue losses, hurricane-caused net increase in expenditures, and delayed cost reductions. We will continue to monitor liquidity weekly, which is now being published publicly by the government.

With respect to budgeting, we are updating our reporting blueprint to incorporate information on disbursements and use of Federal funds received by the government and its instrumentalities, as well as reallocation of budget items for emergency measures as we laid out in our letter to the Governor the day after Hurricane Maria hit. We also will receive a budget compliance report next week that will show how actual expenses and revenues compare to budgeted expenses and revenues for the first fiscal quarter, ending September 30, 2017.

Moreover, pursuant to Section 103(d) of PROMESA, the Board is initiating formal requests to Federal department and agency heads to detail personnel of their respective department and agencies to the Board to assist it in carrying out its duties under the Act. We are certain that we will receive cooperation from our Federal counterparts in detailing subject matter experts to support the Board and the government of Puerto Rico.

2. What can the Board do to oversee the proper expenditure of Federal Hurricane recovery funds?

Through the process of working with the Governor to create and certify Fiscal Plans under Section 201 of PROMESA, we can make sure that hurricane recovery funds are properly accounted for and directed in a revised Fiscal Plan. We have similar authority with respect to making sure that the more detailed annual operating budgets developed by the Governor or covered instrumentalities conform with the certified Fiscal Plans.

Once certified Fiscal Plans and budgets are in place, we have authority to ensure compliance with those Fiscal Plans and budgets. Section 203 requires the Governor to submit a report at the end of each fiscal quarter on actual receipts, expenditures and cash-flow. We are instructed to alert the Governor to any inconsistencies with the certified Fiscal Plan and budgets. If the Governor or a covered instrumentality fails to make corrections, the Board is empowered to make appropriate reductions in non-debt expenditures to ensure the quarterly budget aligns with the certified budget. Further clarity with regard to these authorities may prevent challenges that have previously resulted in litigation.

With respect to the actual contracting process by the Commonwealth or covered instrumentalities, as just described, we can review contracts under our policy created under Section 204 to ensure they are consistent with the fiscal plan, promote market competition, and as applicable are consistent with Federal regulations pertaining to reimbursement and funding. Section 204(d) does state that the Board shall not impede the government’s actions to implement Federal authorized or federally delegate programs, but our policy does not impede the implementation of Federal disaster relief programs—to the contrary, it should provide stakeholders with greater confidence in the process itself.

With respect to debt, pursuant to Section 207 the Board must approve any new debt issuance or debt exchange or modification. Under the legislation you just passed to assist Puerto Rico with its liquidity challenges, the funds will be distributed via the Community Disaster Loan Program. Because these are loans, the Board must and will review each loan to ensure it is advisable that the borrower take out that specific loan with those specific terms.

3. What additional tools does the Board need to ensure that Federal funds are properly expended and that they are expended as part of a plan that makes sense for Puerto Rico’s future?

Mr. Chairman and members of the Committee, I understand the importance of this question and the imperative for this Committee to examine it. My general answer—and my answers to any particular questions posed to me today—will of

course reflect the current limitations of the Board's ability to meet the great challenges that the hurricanes' devastation has caused Puerto Rico and the new challenges it presents to Congress and the PROMESA structure as well.

I want to emphasize, though, that while the question is expressed in terms of "need," the Board is not seeking additional responsibilities nor the tools to go with them. The Board is a creature of Congress, appointed on a voluntary, bipartisan basis, serving the American citizens of Puerto Rico. We have been exercising our authority under PROMESA.

If Congress determines that additional Board responsibilities will enhance confidence and enable greater support for Puerto Rico after these devastating hurricanes, I believe the Board would be willing to accept additional responsibilities. Similarly, if Congress determines that clarification and reaffirmation of our existing authority in light of the new demands placed on all of us by the necessity of hurricane recovery will be useful to avoid litigation and the uncertainty, time, and cost it entails, we would of course welcome that. Like the people and government of Puerto Rico, Congress and the Administration, we know that the hurricanes have produced new realities we must deal with as wisely and faithfully as we can.

I can give one example of where congressional clarification and ratification of our authority may well be critical—the appointment of the PREPA Chief Transformation Officer. We believe our authority—and responsibility—under PROMESA and basic bankruptcy tenets is clear. However, our authority is being vigorously opposed by some parties in the Title III proceeding. Even after an initial ruling, litigation and associated uncertainty may linger during appeals. Congressional clarification would resolve what otherwise is potentially very damaging litigation.

CONCLUSION

Again, Mr. Chairman and members of the Committee, we deeply appreciate your concern for the American citizens who live in Puerto Rico, and, on behalf of the Board, I pledge to continue to work with you to do all we can to meet the new challenges and to achieve PROMESA's goals. I look forward to your questions.

QUESTIONS SUBMITTED FOR THE RECORD TO MS. JARESKO AND MR. ZAMOT ARE COMBINED AND CAN BE FOUND ON PAGE 24

The CHAIRMAN. Thank you.
Mr. Zamot, 5 minutes. Welcome.

STATEMENT OF NOEL ZAMOT, REVITALIZATION COORDINATOR, FINANCIAL OVERSIGHT AND MANAGEMENT BOARD FOR PUERTO RICO, SAN JUAN, PUERTO RICO

Mr. ZAMOT. Chairman Bishop, Ranking Member Grijalva, and members of the Committee, I am Noel Zamot. It is an honor for me to appear before this Committee. I currently serve as the Revitalization Coordinator for the Puerto Rico Financial Oversight and Management Board.

I have also been named by the Oversight Board to serve as the Chief Transformation Officer for the Puerto Rico Electric Power Authority, or PREPA. A motion seeking confirmation of that appointment is before the court overseeing the restructuring of PREPA's debt under Title III of PROMESA. My written testimony briefly describes my current role and my conception of the PREPA CTO role. I will use my limited time in this oral statement to outline some of the key aspects of the CTO role and my plans for it.

As mentioned, my appointment as CTO is pending approval by the Title III court. I do not want in any way to appear to be presumptuous about the outcome, but I also understand the

Committee's need for information about my plans for this role. I believe the court will understand that my testimony is provisional. That is, it represents my plans if I am confirmed.

The role of CTO is essential, both to deal with the short-term crisis and the long-term transformation of PREPA. We need dramatic action to create a fast-moving, de-politicized entity driven by a vision of an efficient, durable, sustainable, and affordable power sector for the island.

I have three principal objectives for my role of Chief Transformation Officer: first, bring all available resources to bear to restore power to Puerto Rico as quickly as possible; second, develop and implement the transformation plan for PREPA, ensuring that the near-term recovery activity is consistent with the long-term vision; and third, ensure the utility exits PROMESA's Title III via the implementation of a plan of adjustment.

The overall objective is a utility that provides stable, reliable, and cost-effective power to Puerto Rico, and becomes an engine of sustained economic growth.

The first objective requires us to leverage all available resources for Puerto Rico. Much has already been done, but there is much more to do. Based on my interactions to date, I am encouraged that the Army Corps of Engineers, the Department of Energy, and FEMA can provide us even greater and better coordinated resources. Similarly, we can do much more to involve industry groups such as APPA and the Edison Electric Institute.

During this first phase, organizational structure will be of critical importance. I will employ an approach that I have used with success when I had to lead organizational transformation in the middle of chaotic and uncertain environments. I have followed this approach in the military, where, as a colonel, I led organizations in peace time and during emergencies, and in the private sector, where I had to transform an organization in the middle of difficult economic and market conditions.

I believe in establishing a straightforward, clear chain of authority, with well-defined roles and responsibilities that track with the overall objective and with strategic priorities. I will retain key leaders on my staff to enable speed and effectiveness in our decision making.

I would like to highlight two key roles.

The Chief Operations Officer will be responsible for day-to-day operations of the utility. This will initially be a senior leader from within PREPA, but will be augmented by an industry executive identified in conjunction with input that we are receiving from the Edison Electric Institute.

The Storm Boss will liaise directly with FEMA, the government of Puerto Rico, local mayors, the Corps of Engineers, as well as other stakeholders. This person will be responsible for identifying, onboarding, and integrating all help, as required, as well as acting as a primary stakeholder to ensure that short-term recovery actions are consistent with a long-range plan. I expect to coordinate with a Storm Boss frequently, likely several times per day.

I have also identified key executives to serve on a Board of Advisors. These are CEOs from public and private utilities who have generously volunteered to bring their considerable expertise

to help with this task. I will also rely on an internal group of world-class actors from multi-national utilities, the energy sector, academia, and more.

The second objective is to transform PREPA under the fiscal plan, which is developed by the Oversight Board, in conjunction with the government of Puerto Rico and PREPA. This plan reflects a transformation of PREPA in broad agreement with Puerto Rico's energy strategy and the Governor's energy priorities.

The end state is to provide stable, reliable, and cost-effective power via a grid that incorporates best practices and that acts as a catalyst for sustained economic growth. Puerto Rico's energy strategy calls for 50 percent renewables by 2040, with a balance of natural and LP gas mix, regional grids with generation close to demand, physical hardening and control systems to provide resiliency, and widespread distributed generation, all wrapped by an empowered and accountable energy regulator.

PROMESA is clear in its guidance to attract private capital to achieve this end state. We need to do just that, not only for generation, but to attract innovative capital solutions from the private sector for transmission and distribution, as well.

We will update the existing PREPA fiscal plan, based on post-Maria reality. PREPA's asset base has been decimated, and we will have to rebuild the infrastructure with virtually no revenues and minimal liquidity. Fortunately, Congress and the Administration created a Community Disaster Loan Program in their recently passed supplemental appropriations bill and made PREPA an eligible borrower.

Our FEMA and DOE colleagues have worked with us closely to identify the proper Federal programs to rebuild the asset base, and generously offered their considerable expertise. We will work closely with the Governor, PREPA officials, professional and industry groups, as well as thought leaders from the private sector to amend the plan.

We are integrating outside stakeholders into our process, with recurring milestone meetings every 10 days to 2 weeks. We will have an additional draft of the revised plan by mid-December, and a more polished version by mid-January. The January product should include sufficient detail to be crafting actionable engineering requirements to begin execution during the second quarter of 2018.

Finally, the binding actionable implementation of the amended transformative fiscal plan is via the plan of adjustment. This is the legally enforceable outcome of the Title III court proceeding. This plan assures the transformation of a utility far beyond the termination of my tenure, which will occur upon approval of this plan of adjustment.

The court process associated with plan construction approval also assures the input of creditors and the recognition of their legal rights, as provided for in PROMESA. I look forward to answering your questions.

[The prepared statement of Mr. Zamot follows:]

PREPARED STATEMENT OF NOEL ZAMOT, REVITALIZATION COORDINATOR, FINANCIAL
OVERSIGHT AND MANAGEMENT BOARD FOR PUERTO RICO

Chairman Bishop, Ranking Member Grijalva and members of the Committee, I am Noel Zamot, Revitalization Coordinator for the Puerto Rico Financial Oversight and Management Board (the “Board”). I have also been named by the Oversight Board to serve as the Chief Transformation Officer (“CTO”) for the Puerto Rico Electric Power Authority (“PREPA”). A motion seeking confirmation of that appointment by the Court overseeing the restructuring of PREPA’s debt under Title III of the Puerto Rico Oversight, Management and Stability Act (“PROMESA”) is pending.

It is an honor for me to appear before the Committee. I will first briefly describe my current role, next outline my conception of the PREPA CTO role, and then stand ready to answer the Committee’s questions to the best of my ability.

REVITALIZATION COORDINATOR

As the Committee well knows, the Revitalization Coordinator, like the Board itself, owes its existence to Congress. Section 502 of PROMESA established the position of Revitalization Coordinator, under the Board. My role is part of Title V of PROMESA—Puerto Rico Infrastructure Revitalization. My job, in a nutshell, is to accelerate the Island’s economic recovery by bringing private capital to address infrastructure challenges, in order to create jobs and set the conditions for growth.

This has become all the more important in the aftermath of Hurricanes Irma and Maria. I am just back from the Island, where I have been coordinating with the government of Puerto Rico, the U.S. Army Corps of Engineers, military personnel generally, FEMA personnel and others to address the immediate aspects of the Island’s infrastructure devastation in as coordinated and efficient a manner as possible. I myself have a military background, having retired from the U.S. Air Force in the rank of colonel. I have also been trained in and have led emergency responses to crises.

I can assure you that the troops on the ground in Puerto Rico are acting heroically. I can also assure you it is a daunting effort in which they are engaged.

Our Executive Director, Natalie Jaresko, has delivered the Board testimony in chief. For this portion of my testimony, I want to very briefly discuss the great promise of private investment in Puerto Rico as catalyzed by PROMESA, and, as the Committee has asked us to do, briefly address some of the challenges presented by our limited role.

The good news is that even though Puerto Rico’s ability to borrow is compromised, it does have access to private capital—through projects identified by the Board under PROMESA’s Critical Project provisions. The central mechanism of Title V is identification of “Critical Projects.” Once identified, these projects benefit from provisions designed to expedite their realization. We have identified to date \$3.3 billion in private capital that seeks to invest in Puerto Rico infrastructure projects.

One example is a waste-to-energy project sought by a New York-based firm called Energy Answers. This project would involve an \$800 million—fully private—investment to create a plant to convert waste into electricity. It has a dual objective and many advantages. It would not only generate electricity that would be contributed to the grid, but also alleviate some of the pressure on a full and leaking landfill.

In recommending this project and approving it for the expedited permitting provided for Critical Projects, we apply the statutory PROMESA criteria. These include the “impact it will have on an emergency”; the availability of immediate private capital; the cost of the project, if any, to Puerto Rico; and its jobs impact. With respect to energy projects, the criteria also include whether the project will reduce reliance on oil for energy generation, improve energy infrastructure and overall energy efficiency, expedite conversion of fuel sources to natural gas and renewables, contribute to transitioning to private generation capacity, and support the Energy Commission of Puerto Rico in achievement of its goal of reducing energy costs.

Private capital is an essential ingredient of restoration of the Island’s infrastructure, and the Critical Projects process has shown it can be a valuable tool to help privately financed projects succeed.

The Committee has also asked what else is required for successful rebuilding of Puerto Rico’s infrastructure and what limitations I see in Title V as a tool for aiding the rebuilding. That is an important topic, and I look forward to discussing it in response to your questions today.

As a general matter, I would emphasize that as useful as I think Title V is, it is quite narrow. Beyond identifying and expediting discrete Critical Projects, Title V offers few tools to the Revitalization Coordinator to realize broader economic development in Puerto Rico. The Revitalization Coordinator also does not have the

formal power to reform the management, operations, or contracting of instrumentalities, such as PREPA—a void that has become much more consequential after Hurricanes Irma and Maria.

PREPA CHIEF TRANSFORMATION OFFICER

I would now like to share my thoughts on PREPA and the decision by the Board to appoint a Chief Transformation Officer. My appointment as CTO, as I have indicated, is pending approval by the Title III court. I do not want in any way to appear to be presumptuous about the outcome, but I also understand the Committee's need for information on my understanding of and plans for the CTO role. I believe the Court will understand that my testimony is provisional—that is, what I plan to do assuming I am confirmed.

The decision to name a CTO was the Board's, not mine. Suffice it to say that from my perspective of months on the ground in Puerto Rico, and regardless of who fills the role, it is absolutely essential. Both to deal with the short-term crisis and the long-term transformation of PREPA, we need dramatic action that creates a fast-moving, depoliticized entity driven by a compelling vision of an efficient, durable, sustainable and affordable power sector for the island.

I have three principal objectives for my role as Chief Transformation Officer. First, bring all available resources to bear to restore power to Puerto Rico as quickly as possible. Second, develop and implement the transformation plan for PREPA, ensuring that the near-term recovery activity is consistent with the long-term vision. And, third, ensure the utility exits PROMESA's Title III via the implementation of a plan of adjustment as a system that can provide stable, reliable, and cost-effective power to Puerto Rico's inhabitants and institutions.

Restoring Power—and Early Organizational Steps

The first objective requires us to leverage all available resources for Puerto Rico. Much has already been done, but there is much more to do. Based on my interactions with them to date, I am greatly encouraged that the Army Corps of Engineers, the Department of Energy and FEMA can provide us even greater, and better coordinated, resources. Similarly, we can do much more to involve industry groups such as the American Public Power Association to a greater degree.

During this first phase, the organizational structure will be of critical importance. I will employ an approach that I have used with success in previous times when we had to transform organizations in the middle of chaotic and uncertain environments. I have found success by establishing a straightforward, clear chain of authority, with well-defined roles and responsibilities that track with the overall objective and with strategic priorities. Especially during this initial phase, we must prioritize speed—with discipline, transparency and integrity—over endless analysis. The people of Puerto Rico deserve no less. We will keep our objectives—recovery and transformation—front and center throughout every action we take.

I plan to have five key direct reports on my staff. They will enable me both to act fast and effectively in the first phase *and* to integrate our actions with our long-term transformation plan *and* to ensure that I have advisors with the right expertise helping me achieve our goals. These are a: Chief Operations Officer (“COO”), Storm Boss, VP for Transition, Chief Financial Officer (“CFO”), and General Counsel (“GC”).

The Chief Operations Officer will be responsible for day-to-day operations of the utility. This will initially be a senior leader from PREPA, but will be augmented by an industry executive, identified in conjunction with input we are receiving from the Edison Electric Institute.

The Storm Boss will liaise directly and freely with FEMA, the government of Puerto Rico, the Army Corps of Engineers, as well as other members of the team. This person will be responsible for identifying, onboarding, and integrating all help as required, as well as acting as the primary stakeholder to ensure that short-term recovery actions under Stafford Act Category B are consistent with the long-term plan for the island. I expect to coordinate with the Storm Boss frequently—likely several times per day.

The VP for Transition will lead the mechanics of developing the transformation plan, as embodied in the revised Fiscal Plan for PREPA, ensuring that we remain on the timeline and that all stakeholders are represented and contribute appropriately. This person will further insure that the various working groups are integrated with the outside and internal stakeholders, and that the evolving vision is shared with the COO and Storm Boss to ensure continuity of effort and consistency between near-term recovery and the transformation vision.

The CFO will have traditional financial responsibilities. The CFO will develop an improved, open and transparent procurement process, fully compliant with all

Federal requirements, such as FEMA's. In my experience, much of the challenge with problematic contracts has less to do with the substance of the contract—which can be reviewed and amended—than with the RFP process and selection criteria. Without sound controls and protocols for those two, you could end up with a perfectly executed contract that was awarded inappropriately.

Finally, we will have a General Counsel. As a three-time military commander and industry executive, my experience is that the roles and responsibilities of management and GC are and must be clear. Leadership establishes vision and executes strategy; the GC ensures that those objectives are accomplished in an ethical and legal manner.

I have been engaging in informal conversations with potential candidates for all these positions so that they can be hired and join the team as soon as I am confirmed to the role by the Court.

Outside of the organization, I have already identified key executives to serve on a Board of Advisors. These are Chief Executive Officers from public and private utilities, who have generously volunteered to bring their considerable expertise to help with the task. I will also rely on professional, engineering, and sector insights from seasoned experts in the field. This is my “deep bench,” and it includes former executives from multi-national utilities, energy experts, economists and more. These will include experts from McKinsey & Company and Ernst & Young, who currently serve as outside consultants to the Board, as well as economists from MIT's Sloan School, my alma mater. My intent is to reach out to them on a regular, scheduled basis. I have already asked this team to identify key process and organizational efforts in the first critical days of transition.

The Fiscal Plan and Its Transformative Character

The Board, in conjunction with the government of Puerto Rico and PREPA, has developed a Fiscal Plan that reflects a transformation of PREPA that is in broad agreement with Puerto Rico's energy strategy and the Governor's energy priorities. Our goal or “end state” is to provide stable, reliable, and cost-effective power via a grid that incorporates best practices, in order to act as a catalyst for sustainable economic growth. Puerto Rico's energy strategy calls for: 50 percent renewables by 2040, with the balance a natural/LP gas mix; regional grids with generation close to demand; physical hardening and control schemes to provide resiliency; and widespread distributed generation, all wrapped by an empowered, accountable energy regulator.

PROMESA is clear in its guidance to attract private capital to achieve this end state. We intend to do just that, not only for generation, but to attract innovative capital solutions from the private sector for transmission and distribution as well.

To be sure, we must update the existing PREPA Fiscal Plan based on the post-Maria reality. Not only has the asset base been decimated, but now we have to rebuild the infrastructure with virtually no revenues and minimal liquidity. Fortunately, Congress and the Administration created a Community Disaster Loan Program in the recently passed supplemental appropriations bill and made PREPA an eligible borrower. Moreover, our FEMA and DOE colleagues have worked closely with us to identify the proper Federal programs to rebuild the asset base and to give us the benefit of their expertise. We will work closely with the Governor and existing PREPA officials with expert knowledge of the Fiscal Plan and its transformative role, and the process for amending the Plan will also include professional and industry groups and thought leaders.

We will begin integrating outside stakeholders into our process by mid-November, with recurring milestone meetings every 10 days to 2 weeks. We will have an initial draft of the revised Plan by mid-December, and a more polished version by mid-January. The January product should include sufficient detail to begin crafting actionable engineering and policy requirements to begin execution during the second quarter of 2018.

Plan of Adjustment

The binding, actionable implementation of the resulting, amended transformative Fiscal Plan is via the Plan of Adjustment, the legally enforceable outcome of the Title III court proceeding. This Plan ensures the transformation of the utility far beyond the termination of my tenure, which will occur upon approval of the Plan. The court process associated with Plan construction and approval also assures the input of creditors and the recognition of their legal rights, as provided for in PROMESA.

I look forward to answering your questions.

QUESTIONS SUBMITTED FOR THE RECORD TO NATALIE JARESKO, EXECUTIVE DIRECTOR, AND NOEL ZAMOT, REVITALIZATION COORDINATOR, FINANCIAL OVERSIGHT AND MANAGEMENT BOARD FOR PUERTO RICO

Oral Questions Posed at the Hearing

Question 1. What is the latest damage assessment for Puerto Rico, and in particular, for the energy sector?

Answer. The FOMB has not completed a damage assessment for Puerto Rico and does not plan to. The only damage assessments that the FOMB is aware of at this time are informal Federal Government agency estimates of \$5–\$12 billion and the one released on November 13, 2017 by the government of Puerto Rico, state of New York, Open Society Foundations, Ford Foundation, and Rockefeller Foundation. That damage assessment estimated a total of \$94.4 billion in damage, of which the power grid was responsible for \$17.8 billion.

Question 2. What are the salaries for all executive staff and deputies?

Answer. The FOMB has attached a table that shows the position, compensation, and starting date for all executive staff and deputies.

[The information follows:]



Financial Oversight & Management Board for Puerto Rico

Senior Staff Compensation Table

Position	Name	Annual Salary	Starting Date
Executive Director	Natalie A. Jaresko	\$625,000	March 2017
Revitalization Coordinator	Noel Zamot	\$325,000	August 2017
General Counsel	Jaime El Koury	\$225,000	February 2017
Debt Restructuring Director	Armando Silva	\$150,000	October 2017
Fiscal and Implementation Director	Miguel Tulla	\$150,000	September 2017
Deputy General Counsel	Kyle Rifkind	\$100,000	July 2017
Chief of Staff	Rosemarie Vizcarrondo	\$120,000	April 2017

Question 3. When was the last time the trash incinerator was tested for lead, arsenic, and other contaminants?

Answer. Since the waste-to-energy facility has not yet been built, no emissions testing has been completed. However, the FOMB understands that a similar facility of the same design has been operating consistent with local and Federal regulations for several years in Massachusetts.

Question 4. Why would Puerto Rico use the most expensive form of energy, renewables, to comprise a portion of restoring its power?

Answer. The FOMB's energy plan for Puerto Rico envisions long term a mix of renewables and natural gas. The FOMB's understanding is that most of the work to restore power is being done on the transmission and distribution portions of the grid, not the generation, so Puerto Rico is not materially changing the existing energy mix as it restores power.

Question 5. What are the interim and long-term costs to Puerto Rico from the FOMB?

Answer. At the time PROMESA was passed, the Congressional Budget Office projected that the FOMB would cost \$370 million over 10 years. Actual audited expenditures of the FOMB for Fiscal Year 2017 were approximately \$30 million. The FOMB's budget for Fiscal Year 2018 is approximately \$60 million.

Question 6. How will Noel Zamot as the CTO for PREPA be different from existing PREPA management?

Answer. In light of the Title III court's ruling regarding the FOMB's appointment of Noel Zamot as the Chief Transformation Officer ("CTO") for PREPA, the FOMB respectfully submits that this question is now moot.

Question 7. What can the Federal Government do to restore prosperity in Puerto Rico?

Answer. The FOMB has attached a separate letter describing actions that the Federal Government can take, particularly with respect to tax reform, recovery and rebuilding assistance, and economic development that would catalyze economic growth in Puerto Rico.

[The information follows:]

**FINANCIAL OVERSIGHT AND MANAGEMENT BOARD
FOR PUERTO RICO**



José B. Carrón III
Chair

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Andrew G. Biggs
Carlos M. García
Arthur J. González
José R. González
Ana J. Matosantos
David A. Skeel, Jr.

Natalie A. Jaresko
Executive Director

BY ELECTRONIC MAIL.

November 22, 2017

Dear Chairman Bishop, Ranking Member Grijalva, and Members of the Committee:

In the course of the Oversight Hearing, "Examining Challenges in Puerto Rico's Recovery and the Role of the Financial Oversight and Management Board," on November 7, 2017, our Executive Director, Natalie Jaresko, received numerous inquiries about various proposals to aid Puerto Rico in light of the devastation caused by Hurricanes Maria and Irma. In the same vein, many Oversight Board members and staff in their interactions with Congress and the Administration have been asked for their recommendations on what the Federal Government can and should do to help.

We greatly appreciate the depth and breadth of concern expressed by Congress and the Administration for the plight of the people of Puerto Rico. We know that these questions are part of an ongoing and difficult effort to put together a comprehensive plan to deal with the Island's current distress as well as its long-term wellbeing.

Likewise, we acknowledge that, in light of the hurricanes, such inquiries are deeply connected to our mission under PROMESA. As you know, before the hurricanes we were dedicated to achieving fiscal and economic health for Puerto Rico and its instrumentalities without additional federal aid. After the hurricanes, of course, continued generous and well directed federal aid is essential.

Accordingly, without in any way presuming to be experts in all the areas affected or to be the final word on any of them, we want to be as responsive as we can. This letter focuses on a few areas where we see particular need.

Hurricanes Maria and Irma have fundamentally altered Puerto Rico's fiscal and economic reality, worsening the Island's already deeply troubled fiscal situation and destroying much of its infrastructure. Tax reform legislation, if approved in its current form, would further devastate the Island's economy. Achieving fiscal balance, providing a path for the Island's return to capital markets, and restoring economic growth and opportunity for the people of Puerto Rico, as required by PROMESA, remains a critical priority. Achieving PROMESA's goals will require significant investments in recovery efforts and in rebuilding and transforming the Island's infrastructure, as well as tax reform legislation that does not adversely impact businesses operating on the Island. It will also require a new economic model bolstered by expanded economic tools and increased labor force participation.

World-class pharmaceutical manufacturing plants and other multinational corporations manufacturing and otherwise doing business in Puerto Rico are a cornerstone of Puerto Rico's economy and a key source of income. In fact, manufacturing exports

account for roughly 30 percent of Puerto Rico's general revenues. If not remedied, current federal tax reform provisions that consider businesses operating in Puerto Rico as doing work in a foreign jurisdiction could destroy the Island's manufacturing base, causing critical tax revenues to evaporate. Puerto Rico's economy was already in decline before the hurricanes. Tax changes that make Puerto Rico's economy even less competitive with foreign jurisdictions would be crushing and would frustrate efforts to restore growth. We urge you to modify the current tax reform legislation to encourage companies to remain in Puerto Rico and to increase their presence in Puerto Rico instead of moving to truly foreign jurisdictions.

Puerto Rico's infrastructure, particularly its energy sector, water and sewer systems, and roads need to be rebuilt and transformed in the aftermath of Hurricanes Irma and Maria. Schools, hospitals and housing have also suffered extensive damages and need substantial support for repairs and replacement. Prior to the hurricanes, the Oversight Board had certified fiscal plans that included well over \$10 billion in capital needs incorporating approximately \$7 billion for energy generation and for transmission and distribution of electricity, as well as \$2 billion for water systems. Extensive hurricane damages have substantially increased the Island's infrastructure needs and accelerated the timeline under which reconstruction efforts must occur. Initial damage assessments estimate tens of billions in damages. It is imperative that the federal government expeditiously complete its assessments of the impacts of the hurricanes on Puerto Rico's infrastructure and that Congress commit needed resources to support rebuilding a stronger, more resilient Puerto Rico. Reconstruction funds must be subject to effective oversight, spent judiciously and used to support transformation efforts reflected in revised and improved Fiscal Plans under PROMESA. Without rebuilding and transforming its infrastructure, Puerto Rico will not be able to address its dire fiscal and economic challenges, or restore growth and opportunity.

We are hopeful that Hurricanes Irma and Maria can be a catalyst for change. Puerto Rico's fiscal, economic and demographic crisis preceded the hurricanes. The challenges of limited economic tools, sub-state funding levels for various critical programs, different eligibility rules for Puerto Ricans living on the Island than U.S. citizens living in the mainland, as well as multiple self-inflicted wounds already made achieving the goals of PROMESA very difficult. The hurricanes have made the job of restoring economic growth infinitely more so. However, in crisis there is opportunity.

Puerto Rico needs a new economic model—a specific, attainable, transformational economic plan. It needs to increase its labor force participation. It needs to improve service delivery and fiscal accountability. The Financial Oversight and Management Board will work with the Government of Puerto Rico to accomplish these important goals. However, to be successful in restoring opportunity for the people of Puerto Rico, it is critical that tax reform legislation not further cripple its economy and that Puerto Rico have the necessary resources to recover from Hurricanes Irma and Maria and rebuild and transform its infrastructure.

Sincerely,

JOSÉ B. CARRIÓN,
Chair.

Written Questions Submitted for the Record to Natalie Jaresko

Questions Submitted by Rep. Grijalva

Question 1. You indicate in your statement that the Oversight Board has proposed legislative language to ensure that congressional support to help Puerto Rico address its liquidity problems is consistent with the Fiscal Plans. Said language would require the Board to certify all requests for liquidity advances. Have you shared this language with the Committee? Is such a degree of micromanagement of the Puerto Rican government really necessary? Aren't Puerto Rico's current liquidity problems the result of the hurricane?

Answer. Yes, the current liquidity problems are indeed a result of the hurricane, which is the reason the FOMB believes it should certify all liquidity advances. The FOMB, through the pre-hurricane fiscal plans, can verify that the liquidity problems are in fact caused by the hurricane. To the extent that liquidity support from the

Federal Government comes in the form of loans, such as Community Disaster Loans, the FOMB has the responsibility to approve any such loans under PROMESA. Yes, this language has been shared with the Committee.

Question 2. You point out that several areas of the island can be classified as “immediate or pressing needs.” These include energy, water, housing and health care. Besides installing the Title V Revitalization Coordinator as the Chief Transformation Officer for PREPA, what else is the Oversight Board doing to address these pressing needs?

Answer. The FOMB acknowledges that the government of Puerto Rico and the relevant Federal agencies are the proper entities for addressing Puerto Rico’s pressing needs. What the FOMB has done is provide the Governor with the authority to reallocate up to \$1 billion of the budget to give the government of Puerto Rico flexibility to respond to the disaster, worked with the government of Puerto Rico to determine its short-term liquidity needs, and advocated in Washington that Puerto Rico be given emergency liquidity assistance and unprecedented Federal disaster assistance.

Question 3. What is the basis for the Board claiming that any money from the Federal Government for disaster relief will fall under board’s purview? Aren’t these funds to be used for specific purposes, such as rebuilding damaged schools and hospitals and covered by various agencies audit and other authorities to ensure they are used as intended? Why is there a need for the Board to intervene is how disaster funds are spent?

Answer. The FOMB and government of Puerto Rico are in the process of developing revised fiscal plans, which include all capital expenditures. After Hurricane Maria, the bulk of these capital expenditures will be funded with Federal disaster funds. In addition, the eventual fiscal plans for the Commonwealth and certain of its instrumentalities that the FOMB certifies will contain reforms and measures that should be consistent with how the disaster funds are intended to be spent. The FOMB also believes that it can provide effective oversight of the significant amount of Federal disaster funds that will be spent in Puerto Rico, which in turn will create increased confidence for all stakeholders.

Question 4. Congress recently approved a \$4.9 billion loan in the disaster relief package to ease the government of Puerto Rico’s liquidity crisis. You mentioned in your statement that additional liquidity assistance will be necessary. Can you elaborate on what it will mean if Puerto Rico runs out of cash due to the devastation caused by the storm?

Answer. If Puerto Rico does not get liquidity assistance before it runs out of cash, the government of Puerto Rico will not have sufficient money to fund governance, and will have to choose among making payroll for teachers, police, and first responders, paying pensions, and honoring other liabilities.

Question 5. We have reports, both from humanitarian organizations such as Oxfam who are on the ground, as well as through media coverage, that supplies such as tarps, food, and water, are being shipped to Puerto Rico are not reaching the highland and rural areas. Challenges in road clearances, lack of telephone coverage or electricity exacerbate these backlogs. Can you describe how the FOMB can help to ensure that those difficult-to-reach areas are able to receive critical supplies?

Answer. The FOMB does not have a direct role in carrying out the disaster response efforts—that is the responsibility of the government of Puerto Rico along with relevant Federal agencies. The FOMB is doing what it can to support the government of Puerto Rico in Washington to obtain the Federal assistance that it needs so that it the recovery effort in difficult to reach areas is as effective as possible.

Question 6. One of the purposes of this hearing is to determine whether and how to expand the jurisdiction of the Fiscal Oversight and Management Board to shepherd the recovery efforts in Puerto Rico. We know that local first responders, civil society organizations, and citizens are working day-in and day-out to address acute needs. They have the firsthand knowledge and relationships to know and adapt to what communities most need. If the FOMB does acquire greater fiscal control over recovery funds, what mechanisms will be in place to ensure that these groups on the ground have a meaningful role in determining how best to use the funds? Will there be any accountability to assure that the money is targeting the most vulnerable individuals? What mechanisms will be put into place to allow for civil society groups to serve as watchdogs of funds?

Answer. Like it does with the development of fiscal plans, the FOMB will solicit and welcome all input from all stakeholders, especially local Puerto Ricans who are most effected by the FOMB's decisions. The FOMB will seek out best practices from entities that have performed a similar function for past natural disasters, like Hurricanes Katrina and Sandy, and model its approach off those.

Question 7. As you are well aware, Puerto Rico is in a dire financial state, with \$74 billion in debt. It literally cannot cost-share on the many desperately needed Federal programs that are essential for it to rebuild. Some of these cost-sharing requirements have been waived, but what other agencies require cost-shares and what can be done to waive these requirements? What would happen if Puerto Rico's local cost sharing requirements are not waived? What will happen if Puerto Rico's local cost sharing requirements are not waived?

Answer. The FOMB is concerned about the government of Puerto Rico's liquidity situation and supports the waiver of local cash sharing requirements. Failure to waive local cost sharing requirements will lead the government of Puerto Rico to require additional liquidity assistance from the Federal Government, or reduce the amount of its efforts to rebuild until such liquidity is made available.

Question 8. Nearly 60 percent of Puerto Rican children live below the poverty line. Overall poverty is at nearly 50 percent. Families are extremely vulnerable. How can we ensure that funding, including reconstruction funds are supporting the need of these vulnerable Americans?

Answer. The most vulnerable among the Puerto Rican population must receive all the support they need in this dire situation. The FOMB urges Congress to appropriate the necessary funds to the relevant agencies that can provide the most effective assistance to those below the poverty line.

Questions Submitted by Rep. Pearce

Question 1. What is the FOMB doing to ensure that disaster funds are not used to fix pre-disaster problems?

Answer. Currently, the FOMB does not have a role in determining on what projects the disaster funds are used and so the FOMB cannot ensure that disaster funds are not used to fix pre-disaster problems.

Question 2. Do you believe the FOMB's new Contract Review Policy will slow down disaster recovery?

Answer. No. The FOMB has committed to review and respond to all contracts within 7 business days and is committed to working with the government of Puerto Rico to make the review as fast as possible without compromising the integrity of the process.

Written Questions Submitted for the Record to Noel Zamot

Questions Submitted by Rep. Grijalva

Title V

Question 1. Mr. Zamot, I want to ask you about the dual approach of Title V of PROMESA—privatization and deregulation. Under Puerto Rico's Act 76, which was the model for Title V, a former governor tried to rush through 2,200 megawatts of renewable energy projects starting in 2010. But because the process was rushed—as it would be under Title V—someone missed that the grid could not handle it. The project negotiations had to start from scratch. That was the most relevant deregulation precedent for the approach taken in Title V. And it failed because deregulation removed the protections that are in place to make sure these kinds of projects actually work, and that they don't do more harm than good. You are proposing to double down on that process by expanding Title V authority before we have seen any proof it can work. What protections have you put in place to make sure this precedent is not repeated?

Answer. Title V specifies an evaluation process for projects, which includes analyzing the project for job creation, economic impact, and environmental safeguards. Only projects that meet these criteria can be considered as candidates as Critical Projects. The FOMB closely follows this process.

Question 2. Like PREPA, PRASA has suffered for a long time from an old distribution system, lack of funds, and poor management. Title V of PROMESA proposes to address the water infrastructure problem by privatizing it. But that approach was tried twice in Puerto Rico. It failed both times, according to an in depth study from the University of Iowa. The relief promised by the companies who took over never came to pass. The contracts had to be terminated. Same question; what protections have you put in place to make sure this precedent is not repeated? Why will this time be different?

Answer. Privatization of water infrastructure is one of many options that may be considered under Title V. This Critical Projects process includes evaluations to ensure job creation and economic growth without compromising environmental protection.

Question 3. While much attention has been focused on getting the lights back on, there is equal urgency around the water distribution system. PRASA has a dilapidated infrastructure that requires major work. Puerto Rico had the highest rates of Safe Drinking Water Act violations of any state in the Nation. Businesses and economic recovery depend on clean water. It is likely that there are waterborne outbreaks happening under the radar because we cannot detect them—we cannot even assess the damage to the infrastructure. What are the FOMB's plans for revitalizing PRASA and getting people clean, reliable drinking water?

Answer. The PRASA transformation plan currently in development will address a number of initiatives to provide clean, reliable water to the people of Puerto Rico. Among these are improved metering, organizational and governance changes, and capital investments.

Question 4. You hold up the proposed Arecibo trash incinerator as a model project for the island. You testified that Arecibo is a privately financed project. But it appears to depend on a loan or loan guarantee from the USDA. In fact, the project's sponsors, Energy Answers, went through an entire Environmental Impact Statement to get the loan. The USDA is now saying they no longer want to issue the loan. Energy Answers appears to be searching for funding in case they cannot get the USDA to change their mind. How do you reconcile the project's need for Federal financing with your testimony that says it is a fully privately funded project?

Answer. Projects submitted through Title V are considered a privately funded project if the majority of their capital structure comes from private capital rather than from the government of Puerto Rico. Many of the projects under the Title V process rely in part on a variety of Federal funds, including grants and loans, that make the overall capital structure more attractive to investors and less risky for the population they will ultimately serve.

Question 5. The proposed incinerator is in a flood plain. It needs at least two permits or waivers as a result. The site flooded after the recent hurricanes. Designation of this project as a critical project could allow it to bypass flood prevention regulations. Since those safeguards would not be there, how would you ensure the project would prevent waste ash and trash from migrating off-site into neighborhoods in the event of a flood if there is no permitting process to do that?

Answer. The Energy Answers project had already received EPA and local permits that addressed these issues in detail. Designation as a Critical Project does not exempt projects from applicable Federal or local regulations. To the contrary, Critical Projects must meet these regulations.

Question 6. The island is already struggling with a massive coal ash disposal problem. There's just no where to put it. It accumulates in mounds across the island, creating health hazards for families living downwind or downstream. According to the Environmental Impact Statement, the proposed incinerator in Arecibo would generate 420 tons of toxic ash per day. The plan is to put it in landfills, most of which are already either full, out of compliance, or not equipped to handle hazardous waste. How would you make sure Puerto Rico families are not exposed to that ash?

Answer. The Energy Answers project had already received EPA and local permits that addressed these issues in detail. Designation as a Critical Project does not exempt projects from applicable Federal or local regulations. To the contrary, Critical Projects must meet these regulations.

Question 7. As you know, the mayors of areas surrounding the proposed incinerator oppose it. If they refuse to send their trash because they would lose tipping fees and instead would have to pay to have the trash burned, and as a result there is not enough trash to operate the plant, how will Energy Answers pay back the loan from USDA's Rural Utility Service?

Answer. Puerto Rico is suffering from a severe shortage of landfill capacity and the government of Puerto Rico, upon receipt of permits and assuming Energy Answers demonstrates compliance with Federal and local regulation, the FOMB considers the Energy Answers project a possible tool to address the imminent business and environmental crises due to the overuse of non-compliant landfills elsewhere on the Island.

PREPA

Question 8. Mr. Zamot, you have said that a strong regulator is needed to oversee the PREPA or whatever its successor might be. The Puerto Rico Energy Commission has more expertise in electric utility regulation than you and the rest of the Oversight Board. How do you think the Commission and the Oversight Board can work together to ensure the rebuilding of a more sustainable grid?

Answer. The Energy Commission and the FOMB share the government of Puerto Rico's vision of a sustainable, resilient grid. The FOMB is already working closely with the Energy Commission to incorporate them into the PREPA transformation process. As an example, we are coordinating on the conceptual design of regional grids that will provide greater resiliency for future hurricanes. The FOMB welcomes a truly independent and professional energy regulator to assure all stake holders of a fair rate policy and provide potential private sector investors with confidence in the marketplace.

Question 9. As you know, Governor Rosselló has weakened the Energy Commission by installing his own appointees into positions, among other actions. Will you fight to make the Energy Commission more independent of the Governor and the Oversight Board? If so, how?

Answer. We support an independent, empowered, accountable Energy Commission. Such an energy regulator is essential to Puerto Rico's energy future and is essential for proper use of Federal and private funds to rebuild the grid.

Question 10. What authorities do you or the Oversight Board believe the Board has to take over the Energy Commission if the Board so desired?

Answer. None. The FOMB cannot and has no desire or intent to take over the Energy Commission. The FOMB supports a strong, independent energy regulator.

Question 11. Mr. Zamot, do you think there needs to be a clear vision of what the new grid will look like before we determine what the management structure will look like, as has been suggested by experts at the Institute for Energy Economics and Financial Analysis?

Answer. Regardless of the vision for the new grid, the future of Puerto Rico's energy utility must incorporate organizational best practices into its management structure. Among these are transparent, documented procurement processes, organizational efficiency via clear management structure, a quality management and process improvement system, and a depoliticized workforce.

Question 12. When asked about implementing renewable energy on the island during the hearing, you referenced a few times the island's self-imposed renewable energy standards. As you know, those were made before the hurricane. At the time, there was a limitation on renewables that were implementable because of funds/credit and because the grid was too old to handle it. Both limitations are expected to change dramatically now. If the island is ever going to be more self-sufficient with its energy supply and wean from imported fuel like natural gas, now is the time to aim much higher than the modest pre-hurricane goals and move toward more forward-looking energy plans for island economies like those of Hawaii who has a 100 percent renewable portfolio standard. As the potential CTO of PREPA, do you see any reasons that Hawaii can do it but Puerto Rico cannot? As CTO of PREPA, will you fight for that 100 percent renewable energy for Puerto Rico?

Answer. In light of the Title III court's ruling regarding the FOMB's appointment of Noel Zamot as the CTO for PREPA, the FOMB respectfully submits that this question is now moot.

Question 13. Electric sales in Puerto Rico are expected to decline more than 23 percent over the next decade. The private utility business model does not function effectively in an environment of declining load. Why do you believe the private utility business model is appropriate in this scenario?

Answer. Puerto Rico's electric sales are declining in part because of high electricity prices, which leads to widespread grid defection. A cost-effective, reliable, and stable electric utility would also have a significant positive impact on Puerto Rico's economic growth, driving up demand.

Question Submitted by Rep. Hanabusa

Question 1. After the devastation of hurricanes Irma and Maria in September of this year, Puerto Rico Electric Power Authority (PREPA) reported losing approximately 80 percent of its electrical infrastructure. This left millions of Puerto Ricans without power, and left hospitals unable to care for patients or store lifesaving medicine. Currently, urban centers in Puerto Rico are being powered primarily through generators, which can only serve as a temporary solution to the crisis. There are also still many Puerto Ricans sweltering without power in areas outside of urban centers.

Mr. Zamot, as Chief Transformation Officer your duties include leading the development of a power restoration plan, and overseeing the application process for Federal funds. You mentioned in your testimony that you are currently coordinating with the Army Corps of Engineers, the Department of Energy, and Federal Emergency Management Agency for financial support and resources. However, their support has not been sufficient to address the ultimate goal of repairing and updating Puerto Rico's energy infrastructure for the long term.

You also mentioned in your testimony that exiting the \$9 billion in debt that belongs to PREPA is not the solution to enable PREPA to restore electricity as soon as possible. We discussed during the hearing that restoring electricity is the top priority, as it will facilitate other disaster recovery efforts. With that goal in mind, what are the necessary steps to restoring electricity in Puerto Rico? How much money will it take to achieve this?

Answer. In light of the Title III court's ruling regarding the FOMB's appointment of Noel Zamot as the CTO for PREPA, the FOMB respectfully submits that this first question is now moot. The FOMB has not completed a damage assessment for Puerto Rico and does not plan to. The only damage assessments that the FOMB is aware of at this time are informal Federal Government agency estimates of \$5-\$12 billion and the one released on November 13, 2017 by the government of Puerto Rico, state of New York, Open Society Foundations, Ford Foundation, and Rockefeller Foundation. That damage assessment estimated a total of \$94.4 billion in damage, of which the power grid was responsible for \$17.8 billion.

Questions Submitted by Rep. Pearce

Question 1. Do you have an accurate damage assessment for the island's energy infrastructure? If so, please provide.

Answer. The FOMB has not completed a damage assessment for Puerto Rico and does not plan to. The only damage assessments that the FOMB is aware of at this time are informal Federal Government agency estimates of \$5-\$12 billion and the one released on November 13, 2017 by the government of Puerto Rico, state of New York, Open Society Foundations, Ford Foundation, and Rockefeller Foundation. That damage assessment estimated a total of \$94.4 billion in damage, of which the power grid was responsible for \$17.8 billion.

Question 2. What actions do you plan on taking to ensure that PREPA will not run into the same problems it faced before the storm and the FOMB's creation?

Answer. In light of the Title III court's ruling regarding the FOMB's appointment of Noel Zamot as the CTO for PREPA, the FOMB respectfully submits that this question is now moot.

The CHAIRMAN. Thank you. And finally, Mayor Pérez, we welcome you here. You are recognized for 5 minutes.

STATEMENT OF THE HON. ANGEL PÉREZ OTERO, MAYOR, CITY OF GUAYNABO, PUERTO RICO

Mr. PÉREZ. Thank you, Chairman Bishop, Ranking Member Grijalva, and all members of the Committee, for having convened this hearing, and allowing us to share our experiences with the aftermath of Hurricanes Irma and Maria. I especially recognize our Resident Commissioner, who faced the hurricane right there, and now is our advocate for recovery.

I come to you as Mayor of Guaynabo since August 18. As you see, I received a very special welcome to my office.

My municipality is diverse. We do have upper-income neighborhoods, art centers, industries, shopping, a military post, but also working-class neighborhoods, public housing projects, economically distressed communities, and hard-to-reach rural areas.

In Guaynabo, like in all Puerto Rico, there was damage to every aspect of infrastructure and the economy in the immediate aftermath, besides the collapse of power and communications. And today we still have from 75 to 80 percent of our families without electricity.

Our municipality also suffered these major damages: three bridges washed out, and another four compromised, resulting in over 15 to 20 families having no vehicle access to their homes; several partial roads collapsed; most of our rural areas lacking water service, due to pumps being offline; and 3,000 families lost their homes or had them severely damaged.

It was a challenge to respond, but we stepped forward. From the joint efforts of Puerto Rico and Federal Government agencies, over 30,000 families have received food and water supplies, but this has not always been reliable. The city has received 10,000 gallons of diesel fuel, but we use 3,000 every day. And we are being assisted with final debris disposal by the Corps of Engineers.

So, work is being done, and we are grateful for the response from the Administration and Congress. But more is needed.

For instance, municipalities are the first responders, and continue responding, being closest to the people. But with most of our businesses closed due to no power, water, or fuel, how do we pay our workers and expenses? We have lost a lot of revenue.

Recently, Congress passed legislation that provides up to \$4.9 billion for support to Puerto Rico, precisely due to the need to keep basic public services functioning in the face of loss of a tax base. The government of Puerto Rico had been granted almost an equivalent of 20 percent of its budget to relieve its liquidity needs. The municipality needs, in a future legislation, the same benefits to continue providing essential services that our people need.

Another need is a disaster housing support benefit that can extend for at least 1 or 2 years. Currently available housing vouchers are too few and too low, compared with the number of families who lost their homes and are living with family or with a neighbor.

Another is easing FEMA caps on housing rehabilitation, so families may rebuild with greater resiliency. Similarly, an expansion and flexibilization of CDBG and Section 108 funds, so that municipalities can better direct them to the community needs. In a situation like this, it is important that funds for the relief are guarded and used effectively, when the temptation is to think "it is an

emergency” justifies waste, or worse. But this cannot end in more bureaucracy.

I believe God put me in this trying time at the head of a city of 100,000 people, to do them justice and make a difference. You, too, are called upon to do justice and make a difference for the 3.4 million U.S. citizens in Puerto Rico. It is not a time just to put on patches, but to make permanent fixes looking toward the future. We cannot move the island away from the Caribbean, so Congress and the Administration must move to help our people.

Members of this Committee, Federal help has aided Puerto Rico to survive and start a recovery. But more is needed, and I encourage you to listen to our Governor and our Resident Commissioner, our voice in this city, as she brings forward what are our further needs. Thank you.

[The prepared statement of Mr. Pérez follows:]

PREPARED STATEMENT OF MAYOR ANGEL PÉREZ, CITY OF GUAYNABO, PUERTO RICO

Thank you, Chairman Bishop, Ranking Member Grijalva and all members of the Committee for having convened this hearing and allowing us to share our experiences with the aftermath of Hurricanes Irma and Maria. I specially recognize our Resident Commissioner who faced the hurricane right there and now is our advocate for recovery.

I come to you as the Mayor of Guaynabo, Puerto Rico, since August 18. As you can see I received a very special welcome to the office.

My municipality is diverse. We do have upper income neighborhoods, arts centers, industry, shopping, a military post, BUT also working class neighborhoods, public housing projects, economically distressed communities and hard to reach rural areas.

In Guaynabo like in all Puerto Rico there was damage to every aspect of infrastructure and the economy. In the immediate aftermath, besides the collapse of power and communications—and **today we still have 80 percent of our families without electricity**—our municipality also suffered these major damages:

- Three bridges washed out and another four compromised, resulting in **over 15 families having no vehicular access to their homes.**
- Several partial road collapses.
- Most of our rural areas lacking water service due to pumps being off line.
- **Three thousand families lost their home or had it severely damaged.**

It was a challenge to respond, but we stepped forward.

From the joint efforts of the Puerto Rico and Federal governments, over 30,000 families have received food and water supplies (but this has not been always reliable), the city has received 10,000 gallons of diesel fuel (but we use over 3,000 per day), and we are being assisted with final debris disposal by the Corps of Engineers. So, work is being done, and we are grateful for the response from the Administration and Congress.

But more is needed.

For instance, municipalities are first responders **and continuing** responders, being closest to the people. But with most of our businesses closed due to no power or water or fuel, how do we pay our workers and expenses?

Recently Congress passed legislation that provides up to \$4.9 billion for liquidity support for Puerto Rico, precisely due to the need to keep basic public services functioning in the face of loss of tax base.

The government of Puerto Rico has been granted almost the equivalent of 20 percent of its budget to relieve its liquidity needs: the municipalities need in a future legislation the same benefit to continue providing essential services the people need.

Another need is for a disaster housing support benefit that can extend for up to 2 years. Currently available housing vouchers are too few and too low compared with the number of families who lost their homes.

Another is the easing of FEMA caps on housing rehabilitation, so families may rebuild with greater resiliency. Similarly, an expansion and flexibilization of the

CDBG and Section 108 funds so that municipalities can better direct them to the community needs.

In a situation like this, it is important that funds for the relief be guarded and used effectively, when the temptation is to think "it's an emergency" justifies waste, or worse. But this cannot end with more bureaucracy.

I believe God put me in this trying time, at the head of a city of 100,000 people, to do them justice and make a difference. You, too, are called upon to do justice and make a difference for the 3.4 million U.S. citizens in Puerto Rico. It is not a time to just put on patches but to make permanent fixes looking toward the future. We cannot move the island away from the Caribbean, so Congress and the Administration must move to help our people.

Members of the Committee, Federal help has aided Puerto Rico to survive and start a recovery. But more is needed, and I encourage you to listen to our Resident Commissioner, our voice in this city, as she brings forward what are our further needs.

Thank you.

The CHAIRMAN. I thank all three witnesses for your oral testimony, as well as your written testimony. We will now start the questioning process.

Members, since we were originally going to have two panels, and now we just have one, I gave our witnesses some extra time to make their statements. I appreciate them being here. I especially appreciate, Mr. Mayor, your being here as a representative, who is on the ground working with the American citizens who actually live in Puerto Rico. Thank you for the specifics you gave us.

I am just going to warn Members that you are not going to be as nicely treated. You have 5 minutes. If you are going to ask a question, give at least 30 seconds to answer it or don't ask it in the first place, and we will move on from there.

I am going to actually break tradition and go first, if I could, for my 5 minutes, so you are responsible for me. If I go over 5 minutes, you have to shut me up, OK?

[Laughter.]

The CHAIRMAN. You said that too willingly.

Ms. Jaresko, if I could start with you. In August, there were some in the creditor community that had a Title III case about PREPA to appoint a receiver done by the court system. The Oversight Board appears to actually have embraced that particular idea with an independent oversight of PREPA that is needed with the Board's recent urgent motion to appoint Mr. Zamot as the Chief Transformation Officer.

Why did the Oversight Board reject the request to appoint a receiver, and why from the courts? And why do you believe the Oversight Board has the authority to appoint a Chief Transformation Officer?

Ms. JARESKO. Thank you, Mr. Chairman. You are correct. At that time, in very different circumstances, the Board did not agree with the creditors' request. However, we see the situation today as completely different, requiring a new set of skills, resources, and additional focus.

The situation is different, simply because we no longer are going through solely a Title III process. We are now, as well, responding to this devastation. And for 40 years, for decades, PREPA has not served the people of Puerto Rico well.

Our goal today is, with the appointment of Mr. Zamot, to ensure that these short-term efforts to immediately and quickly restore electricity are united with the medium- and long-term requirements of making electricity not the Achilles heel of a damaged economy, but instead, the solution to a new revitalized economy.

The CHAIRMAN. Thank you.

Then, with that, Mr. Zamot, let me turn to you. Title V was supposed to be in there to help expedite the process without any kind of arbitrary roadblocks. Do you see roadblocks in there prohibiting the construction or pending approval of critical projects that we could address in some way?

Mr. ZAMOT. Mr. Chairman, thank you for the opportunity to answer. Title V is a great tool for economic recovery, but it is incomplete, in many of our opinions, and we would appreciate some clarity on the powers that Title V actually gives to the Revitalization Coordinator.

There are a number of issues that I have shared with your staff, for example, the ability to actually follow some of the permitting processes and actually ensure that they are executed properly, and the ability to actually ensure that Title V projects submitted through the critical projects process are actually compatible with the rest of the covered entities' transformation plans.

And finally, how do you actually incentivize additional investments in areas that are critical to Puerto Rico's economy, but not necessarily a critical infrastructure project?

The CHAIRMAN. Do you think that these require statute changes in order to give you that authority to simply expedite the issue and get to work?

Mr. ZAMOT. Sir, I will defer to the Committee on what the solutions would be, but a clarification on what the powers of the Revitalization Coordinator and the Board would be in those cases would be appropriate.

The CHAIRMAN. That is a fair answer.

Mayor Pérez, can you just share with the Committee your experiences working with FEMA in the immediate aftermath of the storm?

Mr. PÉREZ. I think at the beginning it was hard, because no communications were at the 78 municipalities. So, we just had FEMA at San Juan, and it was very hard for the rest of our mayors to communicate and to receive some help.

After that, they assigned, and I think it was the best thing, they assigned some people to each mayor, to each municipality, and the help is getting better, and the water, the food, and all the help from FEMA and from the Corps of Engineering, it is getting to our municipalities.

But at the beginning it was very hard, because we were expecting that maybe some municipalities, some areas, will be good. But no, the 78 municipalities, their communication were down, roads were blocked, so it was very hard at the beginning.

The CHAIRMAN. I have 56 seconds. Can you communicate the challenges that you are still going to face, going forward, with both the state, the Board, as well as the Federal agencies in reaching long-term goals in your community?

Mr. PÉREZ. Right now, it is how they are going to respond to give the benefits to the families, because we have thousands of families living with their families or with a neighbor, but that is not permanent. So, we don't know right now. There is a cap of \$30,000 to rebuild their houses. If we are going to rebuild and make them the same as they were, we are going to be here maybe next year, maybe next week, maybe, I don't know, in a month. So, that is a challenge for us.

The CHAIRMAN. Thank you. And in the 9 seconds that remain, before Mr. Grijalva shows me up by pronouncing your community's name, pronounce your community for me.

Mr. PÉREZ. Guaynabo. It is near San Juan. Guaynabo.

The CHAIRMAN. Oh, you can all say it—

Mr. PÉREZ. We call it Guaynabo City.

[Laughter.]

The CHAIRMAN. Thank you very much. I recognize Mr. Grijalva.

Mr. GRIJALVA. Thank you, Mr. Chairman, and I also want to thank all the witnesses for their attendance and for being here to give us some more information and answer our questions.

Ms. Jaresko, as you know, the fiscal plan approved by the Board last year contemplated reducing Puerto Rico's annual debt payments by 79 percent. In the wake of Hurricane Maria, advocates in Puerto Rico and for Puerto Rico are making the case that that devastation means that the 79 percent should be taken up all the way to possibly full debt cancellation.

Should we anticipate that the Board will be considering further debt reduction in the revised fiscal plan currently under development?

Ms. JARESKO. Thank you. It is very difficult for anyone in Puerto Rico to see the future at this stage. So much depends on you, the Congress, the Administration, and how much funding will be appropriated for Puerto Rico at this time.

We will begin this fiscal process to determine exactly what you have asked, to determine how the island can manage governance, ensure governance, whether or not there are funds available for a variety of needs on the island, including, of course, repayment of the debt.

What I can tell you is that, faced with the liquidity crisis we have today and the requirements that you have already adopted, we will require longer-term liquidity funding. In the short term, there is no question that this will be very difficult for creditors. I think, in terms of the future, much depends on your response.

Mr. GRIJALVA. OK. And another question, if I may. Do you or the Board hold the view that, relative to Title V, waiving or eliminating additional Federal environmental safeguards like NEPA or regulations will accelerate the recovery in Puerto Rico?

Ms. Jaresko, if you, and then Mr. Zamot, if you don't mind, as well, answering the question.

Ms. JARESKO. I certainly believe that further expeditious permitting is a requirement. I am not an expert on the individual sets of permitting, but I want to underline that it is both Federal, Commonwealth, and municipality permitting at all levels that needs to be expedited for any private-sector investment to become a quick recovery.

Mr. GRIJALVA. Mr. Zamot, do you think that is needed?

Mr. ZAMOT. Thank you, sir. My view is that economic growth and fast-tracking projects is not inconsistent with being good stewards of the environment, and we have a very robust process within Title V and within the working group that we have set with the government to ensure that we, the residents of Puerto Rico, are very—

Mr. GRIJALVA. Well, if I may, sir, let me just follow up with you. You cite the proposed trash incinerator as an example of a project, Title V, that could come to fruition. But I see an example of why Title V, in this instance, does not work. Public comments about the project are overwhelming in opposition. It is opposed by both mayors' groups representing all the mayors on the island. It was stalled in part because it could not get a permit to drain 2.1 million gallons from a protected wetland. Farmers and residents are concerned about the effects on their health, that it could undermine recycling programs that are in place.

[Slide.]

Mr. GRIJALVA. It flooded during the hurricane. We have a before and after situation that is up on the screen. It flooded and released hundreds of tons of toxic ash that could release, in the future, toxins into the surrounding neighborhoods. And it requires a major loan from the Federal Government to go forward, even though it is fully privately funded for 67 megawatts of power.

Is that what we can expect, in terms of Title V critical projects?

Mr. ZAMOT. Sir, there are many voices that, obviously, in a democratic process, voice their concern with such a project. But there are an equal number of voices on the positive side. We don't look at this project in Arecibo necessarily as even a power project. It is really a waste management project.

Puerto Rico has a crisis in waste management and landfill use that has been identified by the EPA, and that is why the EPA has actually been supportive of this program.

I currently live in Massachusetts, and we have a very similar plant.

Mr. GRIJALVA. Well, the processes in place right now under law are to assess risk factor, and under Title V we waive the process of risk factoring. How would you contemplate assessing risk?

The CHAIRMAN. In 5 seconds or less.

Mr. ZAMOT. When this process was submitted through Title V, it already came with its permitting in place.

The CHAIRMAN. Thank you.

Mr. GRIJALVA. No, that is not the answer.

The CHAIRMAN. Mr. Lamborn.

Mr. LAMBORN. Thank you, Mr. Chairman, and thank you for having this important hearing. I appreciate your commitment to making Puerto Rico more successful. No one should question your commitment to that. And I share your disappointment that all the invited witnesses were not here today.

Mr. Zamot, I would like to ask you some questions about electricity generation. And I know you are provisional so far, but still hopefully you can help us on these questions.

Is it safe in assuming that pretty much 100 percent of the electricity generated in Puerto Rico today is from burning fuel oil?

Mr. ZAMOT. I would say it is 96 percent. There is approximately 4 percent that is renewables in Puerto Rico right now.

Mr. LAMBORN. And as we know, fuel oil is very expensive and very dirty.

Mr. ZAMOT. That is correct, sir.

Mr. LAMBORN. I like the plan. I think you said by 2040, 50 percent renewables, 50 percent natural gas through liquefied form.

Mr. ZAMOT. That is correct.

Mr. LAMBORN. Have you identified investors who are willing to make that huge investment in a LNG terminal?

Mr. ZAMOT. Sir, there are a number of investors that are actually very bullish on Puerto Rico's long-term prospects, and we in the Board, and specifically in my role as Revitalization Coordinator, we received a lot of proposals, a lot of questions about how people can bring innovative capital solutions using private capital to benefit the reconstruction of the grid and the people of Puerto Rico.

Mr. LAMBORN. Well, I would really urge you to keep pushing in that direction, because I don't think nuclear or coal is going to be a solution. Renewables are great, but to provide that much electricity in that short a time is unrealistic. So, I welcome the discussion about LNG.

Another issue with LNG possibly, and maybe enlighten us, is the Jones Act. I want to commend one of our Representatives who is here today, Representative Velazquez, for speaking out on this issue. I think it is a problem for Puerto Rico, and I would like to find a solution to the Jones Act problem in general. But does that affect LNG imports?

Mr. ZAMOT. Sir, in general, what we are looking at is a fuel mix that really provides a predictable cost curve in the out years for that fuel. And we believe that a proper gas mix, in conjunction with renewables, offers that opportunity for Puerto Rico.

Our goal right now is to get that price at the meter below a certain point to drive increased demand, and that is going to act as an engine of economic growth.

Mr. LAMBORN. Would the Jones Act come into play for liquefied natural gas imports? Because it can be a real restriction on shipping.

Mr. ZAMOT. Sure. Without going into specifics, we believe that any measures that the Congress takes to ensure that the cost of shipping fuels to Puerto Rico is reduced is a positive step toward rebuilding the economy.

Mr. LAMBORN. I, for one, would be willing to look at that, and I think we should look at that. Congress should look at that. Maybe just a very narrow exception to the Jones Act, possibly, just as we need to look at environmental regulation waivers. Everyone is not going to be happy about either one of those things, but if we want to see Puerto Rico succeed and thrive, as the Chairman was saying, I think those are the kinds of hard decisions we have to be willing to make.

And the last thing I want to ask you about is that \$800 million project, the Ranking Member referred to it, burning waste to create electricity. My understanding is that it would be privately funded and would not need government subsidies of any kind?

Mr. ZAMOT. That is correct, sir. It is privately funded. Some of the capital structure includes some Federal loans, but there is no money from Puerto Rico, and it relies on relatively new technology that is really respectful of emissions.

Mr. LAMBORN. Thank you for your great answers, and if either of the other witnesses want to weigh in on the things we have just talked about, please do so in the last 45 seconds.

Ms. JARESKO. I wish to support your effort to relook at the Jones Act. As the congressional task force has already outlined, it is an additional cost for the island.

Mr. LAMBORN. Mr. Mayor?

Mr. PÉREZ. Yes, I think some changes have to be made, amendments to the Jones law and other laws for the recovery of Puerto Rico.

Mr. LAMBORN. Thank you all for being here. I appreciate what you are doing.

Mr. Chairman, I yield back.

The CHAIRMAN. Thank you.

Mrs. Napolitano.

Mrs. NAPOLITANO. Mr. Chair, thank you.

Mr. Zamot, this is dovetailing on the Ranking Member's questions that the incinerator would be built in an area previously contaminated by a battery recycling plant, and it was flooded during the hurricanes. Has the area been tested for lead, arsenic, and other contaminants?

Mr. ZAMOT. Ma'am, I do not have specific details on what work has been accomplished to date, but we do know that the company that is planning that work has done extensive mitigation pre-work—

Mrs. NAPOLITANO. How long has the plant been there, that it has not been tested?

Mr. ZAMOT. Ma'am, I do not have that information.

Mrs. NAPOLITANO. Would you mind sending the answers to this Committee, so we can understand that?

Mr. ZAMOT. Yes, ma'am, we will.

Mrs. NAPOLITANO. And how does the Energy Answers Arecibo LLC plan to prevent their landfill from being flooded by future hurricanes?

Mr. ZAMOT. Ma'am, could you repeat the question?

Mrs. NAPOLITANO. How do you prevent the landfill from being flooded by hurricanes?

Mr. ZAMOT. That is an engineering question that I am not prepared to answer right now. I would imagine that that has been looked at in the permitting that the company has received to date.

Mrs. NAPOLITANO. OK. When and how does the company plan to bury the toxic ashes generated by the incinerator?

Mr. ZAMOT. That is being currently discussed with the current Puerto Rico administration.

Mrs. NAPOLITANO. How many Puerto Rico municipalities refused to send trash to the plant incinerator?

Mr. ZAMOT. I think the answer to that is many, because that represents a threat to current waste management in Puerto Rico, which the EPA has identified as a critical need to address.

Mrs. NAPOLITANO. How many hospitals in Puerto Rico have seen their power restored?

Mr. ZAMOT. Have seen their—

Mrs. NAPOLITANO. How many hospitals had their power restored?

Mr. ZAMOT. In Puerto Rico, ma'am, I don't know the answer to that, but it is not a lot right now. I think we still have several hospitals that are operating on generator power.

Mrs. NAPOLITANO. The Mayor mentioned the percentages, 75 to 80 percent without restored power. How much longer do you think this is going to take?

Mr. ZAMOT. Ma'am, we don't really have an answer to that question. If confirmed by the court, I plan to work very closely with the Corps of Engineers, with FEMA, and with other assets on the ground to get a much better idea.

Mrs. NAPOLITANO. Do they have an estimate on the time?

Mr. ZAMOT. We do not have an estimate at this time.

Mrs. NAPOLITANO. The other question I have has to do with the additional wave of people who are leaving Puerto Rico to other states, and they will strain the state, local, and social services funding. Has the Oversight Board taken this into consideration?

Ms. JARESKO. Yes, madam. Of course, one of the efforts in the fiscal plan development is to create an environment where people will be able to stay, receive the social support they need as families, whether that is a proper education, access to health care, or living conditions.

So, every effort is being made in the fiscal plan to ensure that the environment is such that people wish to stay at home and have the ability to stay at home, as well as businesses staying to generate jobs, which are—

Mrs. NAPOLITANO. But so far they haven't been, because they still don't have power.

Ms. JARESKO. Well, that certainly is the absolute, Number one critical problem for both people and businesses today.

Mrs. NAPOLITANO. OK. Then another question has to do with the documented deaths. What assistance is the Federal Government providing Puerto Rico mayors to provide a more accurate count of the deaths?

[Pause.]

Mr. PÉREZ. For example, in Guaynabo, we don't have any deaths. But the government is the one that is giving the numbers. Right now there are over 50 deaths. Not during the hurricane. After the hurricanes. Now it is over 50.

Mrs. NAPOLITANO. But the mayors have been reporting them?

Mr. PÉREZ. Yes, the mayors have been reporting them. But through the hospitals and through forensic science.

Mrs. NAPOLITANO. Also, there are reports that residents obtained drinking water from wells at hazardous waste superfund sites in Puerto Rico. Have water testing efforts begun?

Ms. JARESKO. Madam, those are questions that really the government would need to answer. I apologize, but that is not information that we have access to.

Mrs. NAPOLITANO. Why not? You are the mayors.

Ms. JARESKO. No, I am the head of the Oversight Board.

Mrs. NAPOLITANO. Oh, the head of the Oversight Board. But it is important for us to be able to narrow all these answers. Thank you, Mr. Chair.

The CHAIRMAN. Mr. Wittman, and congratulations for being a voter.

[Laughter.]

Dr. WITTMAN. Thank you, Mr. Chairman. I would like to thank our witnesses for joining us today, and we want you to please express to the people of Puerto Rico our thoughts and prayers. I know it is a very challenging time. We appreciate what you are doing here today to give us a perspective.

Mr. Zamot, I wanted to kind of follow up. You laid out the framework on where you see things going with the restoration of power. There are really two elements of that, I think, short-term and long-term. Give us perspective, because there are a lot of areas here that are either existing on generator power with intermittent fuel there, sometimes they are up and down. Give me a perspective on where things are, in your estimation.

But then also, in the longer term, there is generation, capacity generation plants, and then the electrical distribution system. We all know prior to the hurricane the electrical distribution system was somewhat antiquated.

Give me your perspective on where is the generation capacity. Is that reliable and up to speed now? Is it just a matter of modernizing and building the distribution system?

So, if you can, give me those two layers: where are we right now in getting that interim, until we can get the distribution system rebuilt; and where is generation capacity in a time frame where the distribution system is being rebuilt, and when it becomes functional.

Mr. ZAMOT. Thank you, sir. As far as your first question, the Corps of Engineers and FEMA are currently doing the damage assessment right now, so that will be accomplished, we expect, in the next 2 weeks.

I can broadly tell you that the big issue right now is that distribution took a massive hit on the island. We know that transmission lines were really affected, some of the long-haul transmission lines from the south to the north, four major ones, three of them had significant damage. But the real issue is on a very, very vast distribution network. What we are finding is the last mile problem is pretty significant. Actually getting folks power from community substations and the like.

As far as your second question, what about the generation, one of the issues we have in Puerto Rico is that, historically, we have had generation in the southwest, but demand is predominantly in the northeast. So, we have a mismatch between where the generation is and where the population is.

New technology allows us to actually do that in a better way, while being respectful of the environment, emissions, noise, and any of those things, and those are the solutions that we are seeking with FEMA, the Department of Energy, and private capital.

Dr. WITTMAN. In your estimation, how long do you think it will take for that to occur? In other words, for it to be done to completion, generation capacity, distribution capacity, in your best

judgment. I understand you said earlier that there was not a definitive date, but in your professional judgment, how long do you think that would be? And give us an idea of the phasing of that. Obviously, it will be built in phases, or at least generation and distribution, but give us your perspective on that.

Mr. ZAMOT. Sir, it would be difficult for me to actually give you a date. But what I will tell you is this, that it is absolutely critical to start incorporating and integrating near-term recovery activities with that long-term plan.

What we need to do is essentially start not just bringing some of the distribution and wires up to code, which alone would be an improvement in Puerto Rico, but now start making the trade-offs, the cost benefit analyses in tactical situations.

I will give you a quick example. The hurricane committee from the southeast, an area named Yabucoa, has a big transmission line going to the north. It is possible that repairing that transmission line will actually be costlier than actually having generation both close to that town and in the metro area. And those are the decisions that we would seek.

Dr. WITTMAN. These are all critical-path decisions. And, obviously, timeliness is key here to get that system back up as quickly as we can. Obviously, it is food, water, shelter. Electricity is part of the shelter element there, so the timeliness of this is key. I think making sure that there is an emphasis there, and the urgency of what needs to happen with this, and maybe, like happens in the military realm, you can pre-purchase some of that stuff.

It seems to me, you ought to be able to buy supplies beforehand. Power poles is one of those things that we know we are going to need. We know we are going to need wires. Is there a way that you can pre-purchase that, get that to the island, so when you have the plan, you are ready to go and you don't have to wait for mobilization?

Mr. ZAMOT. Sir, that is a long-term fix, and you are absolutely right. In my view, we need to have a better approach to preparing the island. Resiliency is not just by building and technology, it is also by preparation to make sure that we can actually quickly recover from these types of events.

Dr. WITTMAN. I want to quickly go to Mayor Otero. I want to get your perspective, because I think your role is absolutely critical. Having been in your shoes, I know that is where the rubber hits the road. Give me your perspective. What do we need to do here to help the citizens of Puerto Rico get back to the basic elements of food, water, shelter as quickly as we can?

Mr. PÉREZ. First of all, we have both problems, distribution and generation. For example, in Guaynabo they have told me PREPA is—you have a lot of places ready, but now we don't have generation. So, if generation comes to the metropolitan area, we will have maybe 10, 15, 20 percent more of our families in their places.

But as I told you, there is a cap in FEMA. There are some laws that have to be amended for the help, for the families, and they could go back to their homes. But if we keep on putting patches, we are going to be here next week, as I told you, or next year. Because we are in the Caribbean, so we need to do permanent things there in Puerto Rico.

The CHAIRMAN. OK, thank you.

Dr. WITTMAN. Thank you, Mr. Chairman.

The CHAIRMAN. Ms. Bordallo.

Ms. BORDALLO. Thank you very much, Mr. Chairman.

Mr. Zamot, my questions are for you, first. I want to thank you for your service as an Air Force officer.

Many territories like Puerto Rico and Guam, given limited resources on the island, are forced to make do with outdated infrastructure and legacy systems, including substandard electric grids, transmission lines, and power plants. What I want to know from you, Mr. Zamot, is can you please speak to the challenges that this presents?

Where are you today, that you weren't directly after the hurricane? Are you, say, 5 percent better, 10 percent better?

Mr. ZAMOT. Ma'am, it would be very difficult to answer that question. I think there is incremental improvement, as far as understanding the magnitude of the damage. I will give you an example.

Initial reports were that the transmission sector of the grid actually took greater damage than distribution. We are now, based on the very hard work of FEMA and the Corps of Engineers, finding out that, actually, the distribution side, especially the last mile, was really where the majority of the damage was.

Ms. BORDALLO. The power is absolutely the top essential, yes.

Another question I have has to do with rebuilding better and hardening our infrastructure for natural resources. I think some of my colleagues have mentioned that. All U.S. territories are prone to hurricanes, typhoons, and cyclones. Guam is certainly no stranger. We have gone through typhoons at 200 miles per hour. When rebuilding after natural disasters, we must always seek to rebuild better.

Mr. ZAMOT. Correct.

Ms. BORDALLO. That is what has happened on Guam. We don't have people in shelters now after typhoons. We call typhoons a blessing, because we build better. No longer in wood and tin roof, but we build in concrete.

So, can you give me some idea? Is FEMA giving funds to rebuild as was, or are you going to be able to seek funds to build better, so you can have concrete structures?

Mr. ZAMOT. Ma'am, the second case. We have a situation right now where we are rebuilding to code under category B of the Stafford Act, 100 percent reimbursables, and we are working extremely closely with FEMA, the Department of Energy, and other agencies to make sure that we can use a variety of public assistance grants to actually build resiliency into the system when we build it better.

It is clear that that is going to be a mix of Federal and private funding at some point. We are working on a transformation plan to do exactly that right now. We have a meeting with our team this week, and we hope to have the initial transformation plan by the middle of December.

Ms. BORDALLO. And this is not just for San Juan, but for all outlying districts. You are taking that into consideration?

Mr. ZAMOT. Yes, ma'am. It actually is a wholesale reimagining, if you will, of the grid. A number of the best practices that we have from industry tied in with the Puerto Rico energy strategy, which has already been developed and, at least as of 2 weeks ago, what the Governor personally sent as his priorities for rebuilding.

Ms. BORDALLO. Well, good. I am glad to hear that.

Can any of you give me an estimate of how many people have left Puerto Rico and are now living in New York, or some other state, the mainland?

Ms. JARESKO. The estimates are up to 100,000 at this point.

Ms. BORDALLO. One hundred thousand? All right.

I want to close, Mr. Chairman, by saying that I strongly support efforts to secure additional Federal resources for both Puerto Rico and the Virgin Islands, as they rebuild from recent hurricanes. I know, I have been through many of them.

And I also want to say that the residents of Puerto Rico and the Virgin Islands are American citizens. I think this is one point we forget about. They deserve nothing less than our full support in this Committee and in the full Congress.

I yield back, Mr. Chairman.

The CHAIRMAN. Thank you.

Mr. McClintock.

Mr. MCCLINTOCK. Thank you, Mr. Chairman. All of us have been appalled by the devastation in Puerto Rico, and the stories have been heart-rendering. Your Resident Commissioner has kept us focused on that these past few weeks. And we do recognize a very important responsibility to respond to the cost of the natural disaster. That is our social contract as a Federal union.

But in dealing with the natural disaster, we are also confronting the fact that there was a pre-existing fiscal condition of the Commonwealth that was not due to act of God, but rather the result of government, a lot of very, very bad decisions by the elected government officials of Puerto Rico, and also perhaps a lot of bad decisions made by the Federal Government over the years. The Jones Act was just mentioned as one example.

The Federal Government is responsible for the acts of God and the acts of the Federal Government, but it is not responsible for the acts of the Puerto Rico government. Can you offer us some guidance on how we separate these two responsibilities?

Ms. JARESKO. Yes, sir. When we were charged, initially, with implementing PROMESA, we adopted a fiscal plan for 10 years that brought the Commonwealth back to structural balance without any additional Federal funding. That required, on the part of Puerto Rico, extraordinary measures. It required a rightsizing of the government by 30 percent, cutting 30 percent of cost. It required over 10 years reducing healthcare costs by 30 percent. And we were on that path prior to this devastation.

I think that if we look at the original fiscal plan, for example, the budget of this year that implemented that fiscal plan, you have that baseline, what it looked like and what it could have been, prior to the hurricane. Unfortunately, this devastation makes some of those measures today impossible. And it creates a situation where the uncertainty makes it hard for us to determine exactly

what type of measures we need to get back to that structural balance.

That is why we have asked you, and you have graciously given us a short-term liquidity window through the community disaster loans. And we look forward to you doing the same for a longer period of time, given the population outflow, and given the fact that businesses continue to be closed because of lack of electricity. Some have had their workers leave. Others are looking to Federal tax reform and waiting for a solution on how Puerto Rico will be treated in the Federal tax reform.

Mr. MCCLINTOCK. I understand the liquidity concerns. But again, we have to recognize part of those were pre-existing, and the result of bad decisions by the Puerto Rican government.

Ms. JARESKO. Yes, sir.

Mr. MCCLINTOCK. During the hearings on PROMESA, we just heard that 100,000 have fled the island since the disaster. But the fact is many were fleeing from it before. And during the hearings on PROMESA, I pointed out Puerto Rico is a cruise ship destination. It should be the gem of the Caribbean. People should be flocking to it, not fleeing from it. Again, not acts of God, but acts of government.

What can the Federal Government do, long term, in terms of its overall policies? Again, the Jones Act has been mentioned. What other suggestions could you have on Federal changes that could restore the prosperity that Puerto Rico should naturally enjoy?

Ms. JARESKO. First and foremost, it will be the response to the devastation. I think the extent to which you help rebuild the public sector, the extent to which FEMA and HUD and other agencies are charged with coming in and helping with the devastation will define Puerto Rico's future to a great extent.

But there are other things, indeed. I think with regard to tax reform, you need to design something that encourages U.S. companies to stay and even grow their manufacturing operations in Puerto Rico. Puerto Rico should not be penalized in that respect.

Mr. MCCLINTOCK. My time is fleeting, but I very much want to get the full answer to the question, not only from you, but from our other witnesses. Could I ask that you respond to that in writing? Give us your suggestions on what the Federal Government can be doing to restore the natural prosperity that the island should enjoy.

The final question I wanted to ask was to Mr. Zamot. You mentioned electricity generation and a heavy reliance on renewables. I assume that means solar and wind. My experience has been those are the most expensive forms of electricity generation, and in part because of the relatively low output, but also because of the intermittent nature of them that requires ready reserve power to back up.

Why, in a combined power and economic crisis, would you insist on the most expensive and least productive electricity sources?

The CHAIRMAN. You have 4 seconds to do it.

[Laughter.]

[Pause.]

The CHAIRMAN. You did it.

Mr. MCCLINTOCK. Could I get that answer in writing?

Mr. ZAMOT. Yes, sir.

The CHAIRMAN. You get that in writing, too, yes. Thank you.
Mr. Costa.

Mr. COSTA. Thank you very much, Mr. Chairman, I think the witnesses here get a sense that there is a lot of concern about not only the devastation and the lives that have been lost in Puerto Rico, but also the response from the Federal Government, which I, for one, feel has been lacking in terms of the coordination.

We all know that natural disasters are devastating to the communities that they impact, whether they are the hurricanes in the Caribbean, or tornadoes, or earthquakes, or fires that we have had in California. The response, though, on behalf of the Federal Government, where we have a responsibility, I think, should always be the same, which is that we should do the best that we can do on behalf of American citizens.

And I think that is why this oversight hearing today and future efforts are critical, because Members of Congress need to understand that we, in fact, are doing our best. And if we are not doing our best, then what is it going to take, in fact, to provide that support necessary on behalf of people, Puerto Rico, and the U.S. Virgin Islands.

I have spent a bit of time in that part of the world, and those islands are beautiful. The people have always been a part of the fabric of this country, so my thoughts and prayers are with those families.

But, Mayor, I would like to ask you, and you are not, I think, unfamiliar with these hurricanes that occur regularly in the Caribbean. What has made this so different than previous examples that you may be familiar with in Puerto Rico?

Mr. PÉREZ. Well, the thing is that before you go, there are some parts of the island, the communications, they were good, partially good, and some places on the island were working without a problem.

Right now we have the 78 municipalities devastated—

Mr. COSTA. It took out the whole island, and that had never happened before.

Mr. PÉREZ. It took out the whole island. Different from—

Mr. COSTA. So, Puerto Rico has been unable to provide the response it would be able to provide in previous disasters.

Mr. PÉREZ. Because of that, because this is the first time—

Mr. COSTA. The same with local government. As a mayor, you have been just limited.

Mr. PÉREZ. Yes, but I used to be an administrator, and—

Mr. COSTA. What would you ask us to do in the short term and the long term, realizing that we do triage in the short term, but in the longer term we have to be smart about our ability to get Puerto Rico back on its feet along with the U.S. Virgins.

Mr. PÉREZ. Sure, in the longer term, we have to work with our infrastructure, and don't put patches. As was said before, if we rebuild in concrete, we won't have this problem. If we just do the same thing, we are going to be here next week, maybe next year. We have the solution. All we have to do is work with it.

Mr. COSTA. Mr. Zamot, as the Revitalization Coordinator, I can understand you may not have some of the answers to the questions that have been asked at hand. But I would hope at this point in

time, given the responsibility that you are going to have, that you begin to develop an interim and a long-term plan, and how you will implement that interim and long-term plan. Could you give us some detail?

Mr. ZAMOT. Yes, sir. Initially, what we want to ensure is that we have clarity of purpose between the agencies that are responsive for immediate—

Mr. COSTA. OK, you are working on that now. Have you begun to develop a price tag in terms of what you think this is going to cost? Because at the end of the day, to the Mayor's point, if we are going to do some sound investments, we have to be clear about how much money it is going to cost, and do you have the resources.

Mr. ZAMOT. We are looking at that right now, working with the Corps of Engineers, FEMA, and the Department of Energy to get a proper, ground-up estimate of—

Mr. COSTA. And how long do you think that is going to take?

Mr. ZAMOT. My understanding is at least 2 more weeks.

Mr. COSTA. All right. Will you be able to provide this Committee in 2 more weeks, or in a month, what you think the costs are going to be in the interim and the long term to do the kind of things the Mayor is suggesting we need to be doing if we are going to get Puerto Rico and the U.S. Virgins back on their feet?

Mr. ZAMOT. We should be able to do that, sir.

Mr. COSTA. OK. I think that is very important for members of this Committee to understand, because there is going to be a supplemental, and we are going to have to figure out, as we deal with the situation in Texas and Louisiana, that we do the same for the people in Puerto Rico and the U.S. Virgins.

Mr. ZAMOT. Yes, sir.

Mr. COSTA. Thank you very much, Mr. Chairman.

The CHAIRMAN. Virgin Islands.

Mr. Pearce.

Mr. COSTA. U.S. Virgin Islands, yes.

Ms. BORDALLO. You said "the virgins."

Mr. COSTA. Well, because those of us who sail in the U.S. Virgin Islands refer to it as a pretty part of the world.

The CHAIRMAN. I am not touching that line.

[Laughter.]

The CHAIRMAN. Mr. Pearce.

Mr. PEARCE. Thank you, Mr. Chairman, and thanks to each one of you for being here. And know that I think each member of the Committee has expressed their concerns for the situation and our united desire to help restore power and to restore the conditions that are just basic to human life.

Mr. Zamot, you kind of ran over time. I am going to call an overtime period here and let you answer Tom's question, if you could.

Mr. ZAMOT. Sir, the question, if I recall, is what are we doing about integrating renewables into the energy mix of—

Mr. PEARCE. Raise your microphone up just a bit.

Mr. ZAMOT. Yes, sir. Can you hear me now?

Mr. PEARCE. Yes, thanks.

Mr. ZAMOT. The question, if I remember correctly, is how do we integrate renewables, and why are we integrating renewables at this point and for the energy strategy.

First off, that energy strategy is actually Puerto Rico's own developed energy strategy. They developed this for 2040, that renewables/gas mix.

Renewables, frankly, is a big private investment effort. So, these are actually vendors from private industry who bring their own capital to the table and can actually provide power at competitive rates to the grid. And the issue is how do you integrate that and have that to be a very resilient mix with what we see, and the government sees, as predominantly gas for the remainder of the—

Mr. PEARCE. Those private funds, do they receive some sort of tax credit or anything?

Mr. ZAMOT. Sir, I would imagine that some of them may, but I do not have any specific detail on that.

Mr. PEARCE. I am talking about from the Puerto Rican government.

Mr. ZAMOT. I do not have that information, sir.

Mr. PEARCE. OK. Ms. Jaresko, the utility is the absolute important thing to get restored. In other words, if you are going to pump water, it takes power, it takes electrical power, just every basic service depends on that.

I understand that the power company had filed bankruptcy prior to the storms. What is the status of the underlying economic state of the company, or the agency?

Ms. JARESKO. PREPA had \$9 billion of bonded debt prior to the hurricane devastation, and that debt was why we ended up filing Title III.

The fiscal plan process that I described that we will follow for the Commonwealth, we will do the same for PREPA, and we should have a sense of what this looks like, going forward, by the middle of December. I can't say right now what their financial capacity will be after this.

Mr. PEARCE. OK, prior to the hurricane, they were not paying their obligations. They had filed for bankruptcy, is that correct?

Ms. JARESKO. That is correct. Yes, sir.

Mr. PEARCE. One of the problems that I see, just as a former business owner taking a look at it, one of the reasons that residents had to pay such a high rate is that certain entities did not have to pay for the electrical power. One of those would be the hotels. Are they still exempt from paying their power?

Ms. JARESKO. Each of the economic development plans that Puerto Rico implemented over the years had individual tax agreements with different businesses and energy—

Mr. PEARCE. I am just asking about the hotels. Are they still exempt, or are they not exempt?

Ms. JARESKO. Some of them are, yes.

Mr. PEARCE. Some of them are exempt?

Ms. JARESKO. That is correct.

Mr. PEARCE. Cities were also exempt. And city governments were exempt prior, according to what I have read.

Mr. ZAMOT. That is correct, sir.

Mr. PEARCE. Yes. So, Mr. Otero, is your community paying for electrical power, or is that something that you have an exemption for?

Mr. PÉREZ. We have an exemption, but PREPA does not pay us for taxes and everything for their—

Mr. PEARCE. I understand. But the exemption ends up lying on the backs of the consumers, which brings their—

Mr. PÉREZ. They don't pay us, we don't pay them.

Mr. PEARCE. So again, looking at it from this end, we will do what we have to do to help you out, but at some point the system has to work inside itself.

Ms. Jaresko, do you have an idea of how much it is going to cost to fix the system, just the electrical system. How much, if you could just tell us what the check should be today, what would that be?

Ms. JARESKO. [No response.]

Mr. PEARCE. Mr. Zamot? I don't know, either one.

Ms. JARESKO. I can't tell you. I, myself, am waiting for the assessments of damage from FEMA, so I can't give you an assessment.

Mr. PEARCE. One of the problems that I saw, also being faced by the utility company, is the evacuation of experienced personnel. They were just retiring and moving on, and were not able to hire experienced people.

What is the status of the human capital? Do you have the resources, internally, to fix and run the system, if we get it back operational?

Mr. ZAMOT. Sir, we need all hands on deck to actually recover the system, and from my initial assessment—

Mr. PEARCE. But my question is, are you finding the experienced people to hire inside the system?

Mr. ZAMOT. Yes, we will need additional people, experienced people, to actually do the work to repair the system.

Mr. PEARCE. So, I would interpret that as kind of a hesitant no, that you are not finding—anyway, just significant problems. Again, our heart goes out to you.

I yield back, Mr. Chairman. Thank you.

The CHAIRMAN. Thank you.

Mr. Sablan.

Mr. SABLAN. Yes, thank you very much, Mr. Chairman. Thank you for having this hearing.

Two things. My district is known as typhoon alley. I represent an island that is about 400 miles in distance from the northernmost part to the southernmost part. That is like from San Diego to San Jose, California, almost.

I am very interested in the suggestions of the gentleman from California, Mr. McClintock, on what the government can do to help Puerto Rico and the rest of the territories pick themselves up and move on. And one of the things we need to do is look at Medicaid.

But having said that, because this is examining challenges of the Puerto Rico recovery and the role of the Financial Oversight and Management Board, my heart goes out to the people of Puerto Rico and the destruction. I have seen typhoons like that.

I would like to yield my time to a daughter of Puerto Rico also, Ms. Velazquez from New York.

Ms. VELAZQUEZ. Thank you so much, Mr. Sablan. And let me take this opportunity, Mr. Chairman and the Ranking Member, to

thank you for giving us the courtesy to participate in this important hearing.

Ms. Jaresko, last week, former Senator Ramón Ruiz Nieves testified before the Energy Subcommittee of the House Committee on Energy and Commerce. In his very insightful remarks he indicated, and I quote, “As most Puerto Ricans sadly understood after Hurricane Maria, the lack of a strong, resilient, and smart energy system has the potential of killing people and destroying the economy.” And we know that is real.

So, to that point, I want to highlight some troublesome statistics. Thirty-five percent of small businesses in Puerto Rico have still not resumed operations, due to power outages. Ten percent of Puerto Rico’s small businesses are expected to close their doors entirely. A hundred thousand people have left the island since September 20.

My question is, how are you going to continue funding the island as more and more businesses close and people continue to leave?

Ms. JARESKO. Initially, it will require liquidity support under the Community Disaster Loan Program. Over time, we will have to determine how many of those people who have left have left for good, how many will be returning. We will have to determine and estimate how many of those businesses that have closed can reopen. Or can new businesses reopen with the support of SBA, for example?

So, our work, the work that we have ahead of us in our fiscal plan, is to exactly look at those estimates and try to rebuild an economy that can be balanced.

Ms. VELAZQUEZ. OK.

Ms. JARESKO. That is the charge of PROMESA.

Ms. VELAZQUEZ. So, to the question of the bondholders, how do you foresee bondholders getting repaid?

Ms. JARESKO. I don’t have a vision right now of how much, or at what period of time. That will be defined by a longer debt sustainability analysis that we need to complete, looking at 30 years, beyond the 5 years of just the fiscal plan itself.

Ms. VELAZQUEZ. So, are you telling me, what do you say, 30 years?

Ms. JARESKO. We have to do a 30-year debt sustainability analysis before the end of December with the government.

Ms. VELAZQUEZ. And the way things are done today, it might take over 50 years for the bondholders to expect to be repaid, because there is not going to be a tax base left in Puerto Rico.

Ms. JARESKO. As you know, prior to the hurricane it appeared impossible, and that is why we were in Title III, to repay the creditors. Today, the situation is gravely worse.

Ms. VELAZQUEZ. Thank you.

Mr. Zamot, you have expressed in the past your preference to privatize the electric power authority. And while I understand that it is in the best interest of consumers and businesses alike to depoliticize the public corporation, I am not fully convinced that the only way to do so is by selling off the grid to the highest bidder.

Can you explain the Board’s vision for Puerto Rico’s energy future?

Mr. ZAMOT. Yes, ma'am. What we are trying to do is, the Board is trying to consider all options for the future of Puerto Rico's grid. Privatization may be one of those. But clearly, attracting innovative capital solutions is a large part of doing this, so that the Federal Government does not have to rely on footing the bill.

Ms. VELAZQUEZ. And in that energy future, do you foresee renewable energy playing an important role?

Mr. ZAMOT. Yes, ma'am. In accordance with Puerto Rico's own energy strategy, it is a large part.

Ms. VELAZQUEZ. Thank you. I yield back.

The CHAIRMAN. Thank you.

Mr. Thompson.

Mr. THOMPSON. Chairman, thank you. Thank you to the panel. I really appreciate the opportunity to talk about important issues that impact all those American citizens in the short-term or long-term Puerto Rico.

Ms. Jaresko, Governor Rosselló has expressed his desire to use microgrids in the rebuild of the island, and the use of microgrids would allow the island to build back a stronger, more resilient electrical system, since there would be fewer points of failure if another hurricane were to hit.

Today, in Puerto Rico, most of the generation is on the south side of the island and the load is on the north of the island, with the two sides connected by transmission lines. Locating generation closer to load, utilizing microgrids, would alleviate some of the vulnerability that the transmission lines pose to the current system.

What do we need to do to ensure that, at the very least, we are building back critical infrastructure, like hospitals, ports, emergency shelters, with more resilient technologies like microgrids?

Ms. JARESKO. I think I will yield to Noel.

Mr. THOMPSON. Sir?

Mr. ZAMOT. We are working right now with FEMA, the Department of Energy, and other Federal agencies to examine exactly that question: What are the best solutions, best practices out there, so that we can actually build in resiliency, and actually leverage some Federal programs that allow us to do just that, so that we don't incur this tremendous cost the next time another hurricane hits Puerto Rico?

Mr. THOMPSON. Thank you. Mayor, in the wake of these devastating hurricanes, Congress is surely interested in working with you and with other officials on the ground to provide relief, again, short-term, looking long-term, in terms of sustainability to Puerto Rico.

My office specifically worked with constituents who have family in Puerto Rico to convey what Congress, FEMA, and the National Guard are doing to provide relief to those who were hit the hardest. Moving forward, what can we do to ensure that relief efforts are being used in the most efficient and impactful methods?

Mr. PÉREZ. You have 78 mayors, and we are the first responders. If you give us more participation and decision making, we are the first face the people see and the first responders for the emergency. All we are asking is to be there and to receive the help, because everything that comes through FEMA, through the Corps of Engineers goes through the municipalities and from us to the

people. So, you have 78 mayors and they are willing to help FEMA, the Congress, and the Administration do the job.

Mr. THOMPSON. Thank you.

Mr. Zamot, through your experience as a Revitalization Coordinator, you mentioned the successes of privately-funded infrastructure improvement projects. You also mentioned that your ability to provide broader economic development is limited. How can Congress expand your abilities and help you provide stable, reliable, and cost-effective power to the people of Puerto Rico?

Mr. ZAMOT. Sir, I think I would defer any specific statutory language to the Committee. But greater clarity on what the authorities of the Revitalization Coordinator, and broadly, PROMESA and the Board, would actually be very welcome.

Mr. THOMPSON. Just one additional question for you. Certainly the devastating effects of Hurricane Maria have left thousands without access to power and water. With equipment that is, on the average, 44 years old, and based on technology that is even older, Maria gives us the opportunity to bring Puerto Rico's infrastructure into the 21st century.

How can innovative energy technology such as fuel cells that utilize our Nation's resource of clean-burning natural gas be used to revitalize the Puerto Rico energy grid?

Mr. ZAMOT. Sir, we would be excited to bring all those solutions to the table, and incorporate any of those good ideas, any of those fantastic ideas, into our transformation plan that we are developing right now. We are working very closely with the government of Puerto Rico, with PREPA, who actually has provided a lot of technical insight into this transformation plan.

But our focus is on actually achieving the goals that Puerto Rico has set for itself in their energy strategy, and that type of new technology is clearly a part of the future.

Mr. THOMPSON. Thank you, Chairman. I yield back.

The CHAIRMAN. Thank you.

Ms. Tsongas.

Ms. TSONGAS. Thank you, Mr. Chairman, and thank you to our witnesses.

I think it is important to remember that we are having this hearing today because it has been 47 days since the landfall of Hurricane Maria, and yet our fellow Americans in Puerto Rico are still enduring a humanitarian crisis. The electricity blackout is now the worst in our Nation's history. Many still do not have safe drinking water. And constituents tell my office that communication is extremely limited. Some people are still having difficulty contacting family members in remote parts of the island.

And I have to say that in my district about a week-and-a-half ago we had a serious storm which left many of our constituents without electricity for a day or two, and so many said, "I can't stand it after a day or two. What on earth is it like in Puerto Rico," especially if you compound with that the access to safe drinking water.

One in five of my constituents identify as Hispanic or Latino, and 40 percent of them are from Puerto Rico. So, their interest in the health, safety, and long-term economic prosperity of the island is acute. And that is shared by many of my constituents, who watch

with dismay as our Federal Government has taken so long to respond.

To address that, since the hurricane struck, I have seen a tremendous response to help our fellow citizens. Volunteers in the city of Lawrence organized a major donation drive for clothing, bottled water, toiletries, and other necessary supplies to be shipped to Puerto Rico. They just wanted to do whatever they could to help.

A bipartisan group of elected leaders created the Massachusetts United for Puerto Rico Fund, which is collecting donations and distributing money to relief organizations working directly on the island. So far they have raised over \$2 million from over 1,500 individuals.

And the private sector has responded to the crisis, as well. For example, a solar company in my district donated an off-grid solar power system and batteries to a family medical clinic that has been without electricity or clean water.

All wonderful actions, but really designed to try to offset our Federal Government's slow response.

I received a letter from the Massachusetts Black and Latino Legislative Caucus, urging Congress to support increased relief efforts for Puerto Rico. With your permission, Mr. Chairman, I ask that this letter be entered into the hearing record.

The CHAIRMAN. Without objection.

[The information follows:]

THE COMMONWEALTH OF MASSACHUSETTS,
MASSACHUSETTS BLACK AND LATINO LEGISLATIVE CAUCUS,
BOSTON, MASSACHUSETTS

September 29, 2017

Hon. NIKI TSONGAS,
1714 Longworth House Office Building,
Washington, DC 20515.

Dear Congresswoman Tsongas:

United States citizens are in need of your support, please consider the plea of approximately 300,000 Puerto Ricans who call Massachusetts their home. The Massachusetts Black and Latino Legislative Caucus (MBLLC) would like your immediate support. We respectfully ask for you to advocate to Congress to play a stronger role in the hurricane relief efforts in Puerto Rico.

Latino and Black residents in Massachusetts are urging for your leadership in supporting emergency assistance relief to the residents of Puerto Rico. Our fathers, mothers, sisters, brothers, friends, and loved ones are suffering following the devastating category 5 Hurricane Maria that crossed the Island. Communities throughout Massachusetts including Boston, Springfield, Lawrence, Holyoke, Westfield and others are currently gathering items and donations to assist those in Puerto Rico. We know that these efforts are not enough. The devastation caused by Hurricane Maria is extensive and will require significant funding and labor.

In this dire time, the MBLLC asks you to support Puerto Rico relief efforts by advocating for the following:

- **Jones Act Suspension:** Yesterday, we were relieved by the Trump Administration's announcement to temporarily suspend the Jones Act regulations for the next ten days. We believe that this decision will help to allow for the transporting of critically-needed cargo and personnel supports to the region. However, we strongly believe that Congress should use this natural tragedy to repeal the Jones Act as it applies to Puerto Rico and any island United States territories.

- **Federal Disaster Relief Package:** We understand that Congress has allocated \$15.2 billion in Federal Emergency Management Agency (FEMA) funding directed relief efforts in Houston, Florida, and other states following Hurricanes Harvey and Irma. We ask you to urge Congress to include Puerto Rico to this disaster relief package to provide the necessary funding stream to support the relief and reconstruction activities on the Island.
- **Medicaid Parity Modification:** Before Hurricane Maria, residents of Puerto Rico were faced with higher Medicaid costs in comparison to U.S. mainland residents. Currently, Island residents receive a 55% reimbursement of all Medicaid-related programs, including health care coverage for the low-income; meanwhile mainland residents are allocated a minimum of 83% of Medicaid expenses.¹ Moreover, as soon as December 2017, Puerto Rico will face the Medicaid Funding Cliff, when money allotted under the Affordable Care Act (ACA) to finance the Medicaid is projected to run out.² For these reasons, Medicaid mediation is urgently needed to enable Island residents to access affordable health care while the region works to rebuild. We ask you to urge Congress to pass Medicaid parity for Puerto Rican residents.

Your support for Puerto Rico is most crucial in helping to avoid a humanitarian crisis. Many U.S. citizens in Puerto Rico are already facing an economic crisis and now without an ability to work are considering leaving the Island which will extremely impact the Northeast, including Massachusetts, New York, Connecticut, Pennsylvania and others have already mobilized for Puerto Rico. We hope our Massachusetts federal delegation will do the same.

Sincerely,

REPRESENTATIVE FRANK MORAN,
Chair.

Ms. TSONGAS. With that, Ms. Jaresko, in your written testimony, you go so far as to state that, “Without unprecedented levels of help from the U.S. Government, the recovery we were planning for will fail.” And you have said in your testimony this morning just what is at stake and how important it is that we respond in a way that helps move Puerto Rico forward.

Can you give me a realistic sense of the support you would need from the U.S. Government to help Puerto Rico recover in a way that does put it in a better place, going forward, not to just take care of the near-term tragedy and crisis, but helps position it for the future?

Ms. JARESKO. Are you asking with regard to what the Board requires, or Puerto Rico?

Ms. TSONGAS. Well, I think as the Board would assess it.

Ms. JARESKO. Right now, the estimates that we have seen are up to \$100 billion of damages. Some portion of that, of course, will be covered by insurance funds, and some portion of that is private sector.

But the portion that is public sector needs to be rebuilt, as we have described, and we need to rebuild it in a more resilient fashion. The key is electricity. That is why the Board has, first and foremost, made the appointment of Mr. Zamot as a chief transformation officer a priority. Everything else will fall from the quick and efficient restoration of electricity. Above and beyond that, the

¹ Aponte-Hernández, Jose. The Hill. <http://thehill.com/blogs/congress-blog/healthcare/348959-the-white-house-congress-must-move-on-parity-in-medicaid-funds>

² Levis, Maria and Neoh, Karen. *ACTION REQUIRED: How underfunding Puerto Rico's health system costs federal and state governments more money than it saves.* Impactivo. <http://www.impactivo.com/action-regured-how-underfunding-puerto-ricos-health-system-costs-federal-and-state-governments-more-money-than-it-saves/>

Board believes that it has the authority to continue to implement those fiscal controls that are required to bring back structural balance. But to the extent that the Congress can provide clarity, we believe that we could avoid much lengthy legal litigation and costly litigation when there are differences of opinion with regard to our authority. And we think that will help ensure a quicker and more efficient recovery, as things move forward. So, that is one.

The second is on liquidity assistance. The Congress has approved a short-term, we are looking forward in the supplemental to long-term support for liquidity, long-term meaning more than the next year, as we have described the reasons for the revenues collapsing and our expenditures remaining, relatively speaking, the same.

And third, I would just add that I believe that the Board has a very important role in the long-term funding that Congress will appropriate, to assure that it is aligned with the fiscal plans, going forward.

Ms. TSONGAS. Thank you. I yield back.

The CHAIRMAN. Thank you.

Mr. Gohmert.

Mr. GOHMERT. Thank you. I appreciate the witnesses being here.

Ms. Jaresko, if I understood you correctly, you said that returning Puerto Rico, basically, to normal depended on quick and efficient return of electricity. But isn't it too late for it to have been considered quick and efficient?

I mean, I would have thought we were way past the quick part of returning electricity. Do you still have hope it is going to be quick?

Ms. JARESKO. As quick as is possible. I myself have no electricity where I live with my daughter. We have a generator for 12 hours in the evening, so I, myself, am looking forward to being reconnected to electricity.

My point is the longer it lasts, the harder it is going to be for everyone.

Mr. GOHMERT. How long have you been without electricity?

Ms. JARESKO. Since day one.

Mr. GOHMERT. OK. And how many days?

Ms. JARESKO. Well, we are a little past 50.

Mr. GOHMERT. Yes. I would just suggest perhaps if your idea of quick is somewhere beyond that, that ought to be readdressed.

I understand that the Governor has been resistant to the idea of privatizing the Puerto Rico Electric Power Authority. But when I look at how long it is taking to return power, it kind of looks like PREPA is Puerto Rico's, or it is to electricity what the VA is to quick and efficient health care for veterans. I cannot imagine it being worse if it were privatized.

What are your feelings about privatization? I would like to hear from you, Ms. Jaresko, and then from Mr. Zamot.

Ms. JARESKO. The Board certainly considers privatization as one of the options, going forward. There is a question that remains open to see whether it is privatization of the entire power sector, meaning generation, transmission, and distribution, or some select part, or whether it just means bringing in private sector to compete and bring down the cost and bring up the efficiency of electricity.

We are looking at all of those as we define this fiscal plan for PREPA.

Mr. GOHMERT. I have said in the past and still believe, Puerto Rico has the potential of being the Hong Kong of the United States, where businesses would flood in there. But even though Puerto Rico pays no Federal income tax, obviously the local taxes are even higher than Federal income tax.

So, it has just been quite an anomaly. You have great people, hardworking people, and one of the most beautiful places in the world, and yet the people are desperate for help. Can you put your finger on specifically what you think would return electricity the quickest? Is all your faith in a small repair company from Montana?

Mr. ZAMOT. Sir, rebuilding the grid will take coordination of effort and clarity of purpose and a unified management and leadership structure. We currently do not have that, and that is why the Board has asked to name a Chief Transformation Officer that would have exactly those authorities.

Mr. GOHMERT. How far away are you from naming that authority?

Mr. ZAMOT. Sir, I have been named as the Chief Transformation Officer. It is pending approval from the court on the 13th of—

Mr. GOHMERT. OK, so have you been able to assume any of those duties, or are you waiting for that formal authority?

Mr. ZAMOT. Sir, I am waiting for the court.

Mr. GOHMERT. OK. Do you have any idea how long before that would happen? Because it seems that if it is that important to getting power restored more quickly, then it should not take that long to have a meeting, grill you, if they have to, all day, and then come to a decision. How long are you looking at before you get that authority, if you get it?

Mr. ZAMOT. Sir, I don't know, but I know that upon approval, I am ready to work immediately toward marshaling all those efforts.

Mr. GOHMERT. Well, I figured that. But the question is when do you get that opportunity.

Ms. JARESKO. The court hearing is the 13th. The judge may or may not decide that day. She may postpone. There could be appeals, based on whatever the decision is. That is why, in our testimony, we saw that if Congress agrees—

Mr. GOHMERT. Is that totally up to the judge to set that date?

Ms. JARESKO. She has set the date of the 13th, and it is up to her to decide what—

Mr. GOHMERT. And nobody else has any authority to move things along more quickly?

Ms. JARESKO. No, but we believe if you, the Congress, agree with this power that PROMESA has under Title III, that it would be helpful and we would welcome clarification and ratification by Congress of that power.

Mr. GOHMERT. Is her caseload that overwhelming that she cannot possibly get to it before the 13th?

Ms. JARESKO. I can't answer that question, sir.

Mr. GOHMERT. Pitiful.

The CHAIRMAN. Mr. Lowenthal.

Dr. LOWENTHAL. Thank you, Mr. Chair, and thank you to all the witnesses for being here and helping us to better understand how to accelerate the ongoing recovery of Puerto Rico.

One of the things that really stands out is how sad this is for the residents of Puerto Rico, how things in terms of their perspective have moved slowly, all the 70 percent of people that are still without electricity, and how the restoration is going to take a long time, and how much of the population lacks clean drinking water, and hospitals still don't have power. It is quite a picture you lay out for us.

Something that has really struck me, and two of my colleagues have raised the issue, is that maybe some of the problem is that we need to either have exemptions or really get rid of the Jones Act. I am not sure I believe any of that, that the Jones Act is really a problem.

I would like to know. Before Hurricane Maria and the other hurricane, was there any concern about the Jones Act?

Ms. JARESKO. Yes, there was, and it was as well in the congressional task force report. There have been studies on it. It does add a level of cost to the island, which we could do without the additional cost.

I can't say that the moment that the hurricane struck that this was a critical issue, because the ports were limited in how much capacity they could intake. But as a long-term—

Dr. LOWENTHAL. Yes, that is what we had heard. Let me go on that the real issue was not so much the Jones Act, but the issue was getting goods from the ports out, because there was not a transportation system or an infrastructure that could handle it. And there was really isolation of getting from the ports to the communities. Can you comment on that?

Ms. JARESKO. What I can comment on is that I have never seen, when I lived in Ukraine during war, during revolutions, I have never seen a situation with a more complete total breakdown of all communications and the structure of the business environment. You could not function. There were 3 days where I could not make a phone call to let anyone know that we were safe. The roads were blocked and flooded. There was no telephone communication, there was no electricity, no Internet. And that was right near San Juan, where I live. I cannot even imagine Utuado, Yabucoa, or other areas that were directly hit on the incoming.

This is a situation that I think no one could have prepared for. And it raises just extraordinary questions about how to deal with an island that completely collapsed. Communications, electricity, water, completely collapsed. People could not communicate, even to bring bus drivers, truck drivers to the ports to help bring the product out of the ports. It is an incredibly difficult situation.

Dr. LOWENTHAL. Thank you. Mr. Zamot, I want to change the topic a little bit, and talk about the trash incinerator project. Could you tell us right now, prior to the hurricanes, were there any issues in Puerto Rico about a coal ash problem, and what to do with the coal ash, and where it was being stored?

Mr. ZAMOT. Sir, that is an issue that the government of Puerto Rico is currently addressing, and the Board was not involved.

Dr. LOWENTHAL. So, you don't know whether there were any problems with coal ash? Does anyone here know? Have there been any problems with coal—they were able to utilize the existing kind of landfills to do coal, or to get rid of some of this toxic coal ash?

Ms. JARESKO. I am aware of the problem. I am also aware of the environmental protesters and the issues that they have raised.

Dr. LOWENTHAL. So, there was a problem before all of this about coal ash.

Ms. JARESKO. Yes, sir.

Dr. LOWENTHAL. So, you understand that, and now we are going to increase the amount of potentially toxic coal ash. Where is it going to go? What are we going to do with the toxic coal ash, if there were not landfills before to deal with the coal ash? By increasing that problem, how do we deal with it? How do we solve that, the public health—

Mr. ZAMOT. The particular vendor that has proposed this project has been coordinating with the government of Puerto Rico for a number of years now. And it is their assessment, and the government of Puerto Rico actually agreed in some written documentation, that this would actually decrease some of the outcome of some of this waste management.

Therefore, the government of Puerto Rico had actually given their support to this effort, if they met some of the required Federal permitting guidelines, which it is our understanding they did.

Dr. LOWENTHAL. Well, I am not quite sure. It seems like, in trying to solve one problem about trash to energy, you are creating another problem, a huge problem in terms of how to get rid of the toxic coal ash that already existed on the island. With that, I will yield back.

But I am not sure this is a resolution. Or rather, it may solve one problem, but it may create other problems.

The CHAIRMAN. Thank you.

Mr. Labrador.

Mr. LABRADOR. Thank you, Mr. Chairman. Thank you all for being here. I appreciate it. Having been born and raised in Puerto Rico, this has been something that has devastated my family, has devastated the people that I love. And I thank you for your efforts.

There is an effort by some of my friends on the other side to say that the Federal Government's response has been inadequate. Would you say that the Federal Government's response has been inadequate?

Ms. JARESKO. I think everyone would agree that they wish that things were better today in Puerto Rico, and faster. But I don't think I am a judge as to what could have been done differently.

Mr. LABRADOR. Correct. So, we all wish that things were better, and no one expected, I think you said in your testimony that there was a complete breakdown of communications like we have never seen before. No one could have prepared for this. That is different than saying that the response was inadequate.

In fact, Colonel Michael Valle, an Air Force officer who was born and raised in Puerto Rico, and who has been in charge of some of the efforts in Puerto Rico, he said that any claim that the response is inadequate is just not true. In fact, he told the *Huffington Post*,

and I want to make sure that this was not a conservative publication, he told the *Huffington Post* that, "As a Puerto Rican, I can tell you that the problem has nothing to do with the U.S. military, FEMA, or DoD. The aid is getting to Puerto Rico. The problem is distribution."

That is one of the problems that we have had from the beginning, that there was a complete breakdown of the things that were happening in Puerto Rico that no one could have foreseen. You wanted to respond to that?

Ms. JARESKO. I want to add that part of it is also just standard operating procedure. So, if you take your standard operating procedures from a land mass like the mainland, and you apply them on the island, where communications have failed, it does not always work.

I don't think that right now my job is to assign blame, but instead to just do what we all can do together to make this recovery faster.

Mr. LABRADOR. I appreciate it, which is what we should be doing.

Ms. Jaresko, how do you view the Oversight Board's role in the recovery efforts?

Ms. JARESKO. I believe the Oversight Board's role is very important in the recovery efforts. It can make it more speedy, it can create greater confidence for all the taxpayers who are funding that recovery effort by: (1) integrating it with the fiscal plans; (2) integrating with the plans of adjustment in the Title III cases; and (3) providing the oversight role that PROMESA gave us, both with contracting and in other areas.

Mr. LABRADOR. OK. I am trying to read between the lines of your testimony. I am hearing a call for more tools and authority, while at the same time you are not calling for more tools and authorities. So, I want you to be really specific. I need you to be straight with us, because you have a very important role.

You stated that prior to the hurricane, the Board possessed the authority to execute its mission and deliver on the underlying mandate Congress set with PROMESA, but with the devastation, you allude that those tools may be inadequate. So, please tell us, does the Board currently have the tools necessary to facilitate efficient and effective recovery?

Ms. JARESKO. I will try to be clear. I believe the Board has the tools, and PROMESA gives us the tools. That said, when there are disagreements, the use of those tools ends up in costly and time-consuming litigation.

Today, more than ever, that time and that cost is not helping Puerto Rico. So, we ask for clarity of the tools that we have, whether it is in the appointment of a CTO through Title III, whether it is in the implementation of our contract policy review, or whether or not it is the implementation of the fiscal plans in full, when certified.

Mr. LABRADOR. What else do you need to be successful? Is there anything else that we need to give you to be successful?

Ms. JARESKO. I think we would appreciate a legislative affirmation of those and/or conditioning of appropriations on those powers, as you see fit.

Mr. LABRADOR. OK. Mr. Zamot, in the October 26 filing, the Oversight Board sought to give you significant authority to oversee the power restoration plan and modernize PREPA. What are your immediate short-term goals for PREPA?

Mr. ZAMOT. My immediate short-term goals are to actually integrate a lot of the resources that we have on the ground, and ensure that we actually reach out, both to all available resources outside of the island, and integrate those in a coherent manner.

We clearly need a better strategy to prioritize the areas, regions, sectors, and clusters that we need to revitalize, to repower, to grow, and give electric power to the people. And we also need to ensure that we are very open and are reaching out to the APPA, EEI, and other agencies to bring in broad support, not just targeted support, to—

Mr. LABRADOR. Do you have any long-term goals for PREPA?

Mr. ZAMOT. Yes, sir. The transformation of PREPA is in accordance with the Puerto Rico energy strategy, which is 50 percent renewables/50 percent gas, renewable, or regional grids, and a lot of resiliency.

Mr. LABRADOR. Mayor Pérez Otero, I am sorry I did not have time to ask you any questions, but thank you for what you are doing for the island, and for the people of Puerto Rico. Thank you very much. I yield back.

The CHAIRMAN. Thank you.

Mrs. Torres.

Mrs. TORRES. Thank you, Mr. Chairman. I also want to thank you for the opportunity to travel with you to Puerto Rico. It was certainly an eye-opening experience to hear not just from your elected commissioner and be briefed on what is happening, but to see for myself.

I am extremely disappointed at how much, as a Federal Government, we have, I think, neglected just basic infrastructure oversight within the territory of Puerto Rico.

The amount of rebuilding that will be necessary to restore Puerto Rico is staggering. My visit reinforced my serious concerns that we may be rebuilding to outdated standards that will not sustain a storm in the strength of Hurricane Maria Category 5.

Ms. Jaresko, it is my understanding that Puerto Rico has not adopted updated building code standards since 2011, when they adopted 2009 building standards, according to the International Code Council. A lot of the buildings built before 2011 were built long before these codes came into implementation, and were simply grandfathered in, so what do we expect to happen when they are hit with a Category 5?

Ms. Jaresko, the scientific community agrees that storms like Maria, a Category 5 storm, are likely to become more common. This is the new normal for Puerto Rico and the Virgin Islands. For Puerto Rico's economy to recover and grow, Congress will need to step up and assist the island much more than it has in the past.

If Puerto Rico were a state, it would rank last among all states in support from the Federal Government in the way of competitive Federal grants, last in healthcare spending, and last in transportation.

Mayor Pérez Otero, I was a former mayor. I also worked in the city of Los Angeles. One of the very basic responsibilities as a mayor and as an employee was to practice an emergency plan. Everybody coordinated: the police department, the fire department, City Hall, the lawyers who needed to write the Federal FEMA grants—everybody coordinated. We coordinated with ourselves, we coordinated with the county, we coordinated with the state, southern and northern regions.

You did not have a way to communicate what you needed because cell phone towers were down, so FEMA provided you with a satellite phone. Now we have—

Mr. PÉREZ. It did not work.

Mrs. TORRES. OK. Well, today, I am finding out that the satellite phone that you were provided did not work.

Mr. Bishop, I think that we need to have a real conversation, and maybe we need to take some people to task. Maybe a public, televised meeting is not the proper place, because we don't want to be accused of politicizing the issues that we have in Puerto Rico. But the bottom line is the leadership is not there.

When FEMA arrived, they had no one to coordinate with, not from the Governor's office, not from the regional offices. So, they had to build an infrastructure. Now we have three-star General Buchanan there. And I looked at the maps we drew up with him, spent several hours in the back of a van with him. I saw the maps. All of the roads have been cleared.

The problem is that every day that it rains, there are hill landslides. The next day after a good storm, you have to go back and clear those same roads, so they are having to redo things that they have done over and over and over again.

Who ordered the light poles that you need in order to bring back the infrastructure? And when was that ordered? Was that ordered, did Texas get ahead? Did Florida get ahead? Did the Virgin Islands get ahead of Puerto Rico? It seems like you have been last in line at every single step of the way.

So, what do we expect from having you appointed in this position, Mr. Zamot? And you have 20 seconds to answer.

[Laughter.]

Mr. ZAMOT. Thanks. You expect all of my energies to integrate all of the resources toward a common vision—

Mrs. TORRES. How is that going to be different than what we have had before from the Governor's office and from everyone else?

Mr. ZAMOT. I will need more than 6 seconds to answer that question, ma'am, respectfully.

Mrs. TORRES. Well, maybe you can do it in writing.

Mr. ZAMOT. Yes, ma'am.

The CHAIRMAN. Thank you. Actually, I appreciate Mrs. Torres' questions there, because I think something we need to realize is that we have another round of hearings with the Governor's office coming next week. Some of those should be directed to them.

I do appreciate the fact that what the Board is doing has some specifics especially on oversight, and maybe even contract issues. And contract oversights we have not talked about before, but you hit on one of the basics, which is why I wish there had been a couple more witnesses that would have been here today.

Mr. Tipton.

Mr. TIPTON. Thank you, Mr. Chairman, and thank the panel. And I would concur. We certainly need to be having some conversations in terms of some of the leadership that was on the ground, in terms of pre-planning. Obviously, not a new issue coming to Puerto Rico or the U.S. Virgin Islands down in the area.

But I would like to start out with Ms. Jaresko first.

In your testimony, you talked about the challenges created from the timing mismatch, when disaster-related expenses are incurred and when FEMA reimburses the government for those expenses. You have gone on to be able to talk about FEMA's direct payments, which had not been considered in the original estimate of the territory's liquidity crisis.

I would like to be able to get a little more clarity, if I may, on that issue. How are the reimbursements working now?

Ms. JARESKO. At this time, for the short term, we were pleasantly surprised by the fact that FEMA was advancing funds, the last number I heard was over \$350 million, to the Commonwealth, PREPA, and PRASA. That meant that that did not affect the liquidity of the Commonwealth, PREPA, and PRASA in the way that we initially expected, so that was part of it.

The second part of the change in our liquidity estimates had to do with the fact that the FEMA authority was in fact directly contracting, for example, with the Army Corps of Engineers, and that expense did not run through the liquidity, the TSA, the Treasury Single Account of the Commonwealth. So, those differences in the short term were important, and that explains why, to a large extent, the cash on hand in the Commonwealth is higher than what was forecast in the beginning.

Going forward, I would expect there to be, though, in categories C through G, which now have been authorized, there is both a local share that remains, 10 percent, unless you deem it possible to waive that local share of 10 percent, and there is a necessity for the Commonwealth to front the money and reimbursements to be made later.

Mr. TIPTON. OK. Great. And just in terms of some of the accountability, not transfers from FEMA to the Corps of Engineers, but over to the Commonwealth. Are there protocols in place to make sure that those resources are going where they need to be going?

Ms. JARESKO. I believe that the power of the Board through its contract policy review to ensure that contracts are both ensuring both market promotion, as written in the law, as well as compliant with the fiscal plans. The key element there is that contracts have to be compliant with Federal regulations and be properly reimbursable to not have a major adverse fiscal effect on the Commonwealth. And that is where our contract policy review will help in that process.

Mr. TIPTON. So, that was what you had spoke to in your testimony on contracts—a million or above with random sampling below those levels. Is that right?

Ms. JARESKO. That is correct, sir.

Mr. TIPTON. OK, good. Are there other steps that you see that the Federal Government needs to be able to take to ensure that

your board can estimate accurately the cash the territory will need to be able to avoid a liquidity crisis?

Ms. JARESKO. I think having as much knowledge as possible about the intention of Congress and the Federal Government, in terms of longer-term liquidity funding, that we can then apply that in the fiscal plans and then measure against it, as well as the longer-term supplemental for emergency assistance.

We will not be able to measure against it if we don't know what we are getting, so that knowledge is important for us.

Mr. TIPTON. Again, just one final question to you. You also wrote that the Board has proposed legislative language that would require the Board certify all requests for liquidity advances to ensure that only hurricane-caused liquidity advances will be sought.

Why does the Board think that certifying these requests is important?

Ms. JARESKO. I believe that it gives confidence to everyone that, in fact, the liquidity that you are funding with taxpayer dollars is, in fact, a result of hurricane disaster, and not a result of not implementing other economic policies or fiscal reforms that need to be implemented in any case.

So, I think it provides a baseline and a guideline, if the Board is certifying those requests.

Mr. TIPTON. Thank you. And Mr. Zamot, the whole set-up in terms of the electrical grid, I think, is obviously very important to the people of Puerto Rico. But I am also a little curious for some of us that have a different set-up within our communities, where the government effectively owns it—you know, listening to the mayor, they don't charge, they don't pay, kind of a unique structure.

Mr. ZAMOT. Yes, sir.

Mr. TIPTON. Are there any legislative, any regulatory limitations to be able to maybe seek private-sector solutions to be able to expedite this, and to be able to actually get something that is going to be sustainable?

Mr. ZAMOT. The fiscal plan that PREPA is currently in, it is in Title III, and we are developing a fiscal plan for it that includes a transformation. We will address a lot of those regulatory options, and it also addresses attracting private capital for a number of potential solutions to the challenge.

We see the transformation plan as being not just the wires and the asset base, but also the very structure of the organization, anything from management, governance, economic impact, and beyond.

Mr. TIPTON. Thank you.

The CHAIRMAN. Thank you.

Mr. Gallego.

Mr. GALLEGO. Thank you.

Mr. Pérez, thank you for being here. I have been lucky enough to go and visit your town a couple of times to visit friends and for a wedding. It is a lovely, lovely city, not town.

I am a veteran, a marine, and a member of the Armed Services Committee. As you know, FEMA is often supported by military efforts that provide critical capabilities, including transportation support.

With that in mind, I would like to highlight some of the differences that occurred between the U.S. response to the Haiti earthquake, not part of the United States, in 2010, and the Puerto Rico response following Hurricane Maria just this year.

In Haiti, the United States provided overnight military unit deployment. After Maria hit Puerto Rico, it was 5 days before the first Federal official arrived on the island.

In Haiti, 8,000 troops were present within 2 days. In Puerto Rico, military support did not reach this level for more than 10 days. A week after the storm, a Member of Congress finally encouraged the Pentagon to conduct a coordinated military effort.

For a side note, I actually got on the phone with NORTHCOM about 5 days later, and they still had not put on the necessary assets, and had still not coordinated with FEMA the lists of what they needed to be done. And that was just 5 days after the hurricane.

In Haiti, within 2 weeks of the disaster, we had 22,000 troops on-site. But in Puerto Rico, at the 2-week mark, we only saw about 9,000 military personnel on the island.

All this notwithstanding the fact that hurricanes, unlike earthquakes, allow for much greater advance planning effort. We did not see that.

Mayor, wouldn't you have preferred that the Administration provide the most robust effort possible to attend to the widespread destruction and suffering of many Puerto Ricans, like we saw in Haiti?

Mr. PÉREZ. Well, for most mayors, we like to see it faster. That is what we said from the beginning. The help is coming through. We would like to see it faster.

I think this is the first time FEMA, and the government of Puerto Rico, and all of our mayors have faced this disaster and this devastation over here. So, yes, we would like to see it faster. That is what every mayor has been saying.

Mr. GALLEGRO. What specifically, in your experience, could be done to improve the coordination between civilian authorities and our military after a disaster like this?

Mr. PÉREZ. I think the most difficult for us, it was the whole devastation in the island, the communications. If they would come and, right now they establish, they assign some from the military and from FEMA to each municipality.

I think we are all learning from this experience—

Mr. GALLEGRO. How long did it take for that to occur?

Mr. PÉREZ. It took, I don't know, maybe like 3 weeks after—

Mr. GALLEGRO. What is the distance between San Juan and Guaynabo?

Mr. PÉREZ. It is maybe, like 10, 15 minutes.

Mr. GALLEGRO. By helicopter?

Mr. PÉREZ. We are in the metropolitan area. For me it was not a problem to move from Guaynabo to San Juan.

Mr. GALLEGRO. No, but—

Mr. PÉREZ. But I know, for most of the mayors it was very hard.

Mr. GALLEGRO. Yes, it was a problem for our military and FEMA response people. It took 3 weeks to get to you. I have been to Guaynabo. I drove to Guaynabo from San Juan. If I remember

correctly, I think the drive on a good day is an hour-and-a-half, especially because I speed.

But now, in a helicopter, if this has been a priority for the United States, considering that this is an American municipality, it takes 10 to 15 minutes to put a coordinator in there, and it took 3 weeks to get somebody to your city. Is that what you are telling me?

Mr. PÉREZ. No, not to my city, but to other cities.

Mr. GALLEGO. Yes.

Mr. PÉREZ. It took a long time.

Mr. GALLEGO. For example, in terms of the Caguas neighborhood, how long had they been separated?

Mr. PÉREZ. Caguas is maybe 20, 25 minutes from San Juan. But that is the importance of the mayors and the municipalities, because we are the first responders. As soon as the hurricane hits, and it ends, our people were opening the roads and everything—

Mr. GALLEGO. Let me make this clear, Mayor. I am not actually accusing you or the mayors of Puerto Rico of being derelict in your duty. I am accusing the Federal Government, FEMA, and our DoD for not responding quickly enough to the needs of the local municipalities. So, if there is any illusion on this somehow, that what occurred in Puerto Rico is normal, or it was sufficient, they are deadly wrong. People died because of this inaction from this Administration.

And the fact that anyone thinks it is acceptable is just disgusting. If this had occurred on the mainland, if this had occurred in, well, it did occur in Texas, and we had done this type of inaction, we would have generals that had been stripped of their stars. You would have FEMA administrators that had been fired.

The idea that it took that long for some of our FEMA coordinators to be able to coordinate with our municipalities is absolutely ridiculous. I yield back my time.

The CHAIRMAN. The time is expired.

Mr. GALLEGO. Thank you.

The CHAIRMAN. Mr. Graves.

Mr. GRAVES. Thank you, Mr. Chairman, I appreciate it. Mr. Chairman, earlier there was discussion about the Jones Act. I serve on the Transportation Committee, and I want to echo some of the comments that Mr. Lowenthal made earlier.

This has been fascinating, listening to people talk about the Jones Act. Do any of you know how many vessels actually took advantage of the waiver for Hurricane Maria to allow non-Jones-Act-compliant vessels to serve Puerto Rico?

[No response.]

Mr. GRAVES. I can answer that question for you. One. One vessel. The vessel actually required more time to deliver goods to Puerto Rico than domestic Jones Act-compliant vessels. This entire thing is a farce.

Mr. Chairman, right now do you know the prices in Miami are 23 percent higher than they are in San Juan? Twenty-three percent higher in Miami than in San Juan. This is such a disservice, because we can continue to sit here and make up solutions in search of problems, or we can focus on real things that are needed, real solutions that are needed.

I also want to remind you that GAO did a study, and it could not determine that the Jones Act caused increased cost of prices in Puerto Rico or otherwise. So, I am going to try to stay focused on things that are real solutions.

I want to ask you a question. I just got back from Puerto Rico last night and had a fantastic visit, learned a lot. Mr. Mayor, it was great to meet with you yesterday. Can either of you discuss your thoughts on the state of Puerto Rico, its infrastructure, its economy prior to the hurricane, and how that has exacerbated recovery?

Ms. JARESKO. Yes. I think, in terms of the electricity, it is very, very clear that it had been neglected for decades, that the maintenance had not been done, and that the investment had not been made. I think, beyond that, we have a clear sense of the same with regard to wastewater treatment and waste treatment on the island.

In terms of the infrastructure more broadly, in terms of governance, that is why PROMESA was put in place. In terms of fiscal controls and in terms of moving to a structural balance, I believe that is why the Congress put PROMESA here, to try to work on those problems prior to the hurricane.

Mr. GRAVES. Thank you. After Hurricane Sandy, 95 percent of electricity was restored 11 days after in New York, I believe it was 23 days after Hurricane Katrina, 140 mile-per-hour winds—as I recall, Maria was 155 mile-per-hour winds—we had 75 percent of electricity restored in New Orleans and south Louisiana area. The disparity here is significant. We had 263 substations, 3,000 miles of lines that were destroyed, affecting ultimately 28,000 miles of transmission lines in Louisiana.

I want to totally change gears. The Governor recently proposed a law to address emergencies and disasters. Part of that law would allow basically eliminating or waiving sales tax in Puerto Rico. Is that proposal on your radar screen? Were you consulted?

Ms. JARESKO. No, we were not consulted, and I am aware that there has been a problem because of the lack of electricity and the collections of the sales and use tax. However, as electricity comes back, the collection process should also return.

Mr. GRAVES. So, you were not consulted, you were not aware on the front end. If ultimately the Governor certifies that this is in compliance with the fiscal plan, and you determine otherwise, what happens then? How does that play out?

Ms. JARESKO. Well, I would hope that they would consult prior to putting that policy in place, because it is something that can have a direct adverse fiscal effect, and it could be not in compliance with the fiscal plan. If they certify that it is, as you described, then we have a situation which could potentially, again, lead to difference of opinion in terms of what our role is in PROMESA. And it is very difficult for us, once it is certified by the government as being in compliance, if we disagree to reverse that.

Mr. GRAVES. I am sorry. Could you say that last part again, quick, quick—

Ms. JARESKO. If the government certifies that the executive order or law is in compliance with the fiscal plan, it is difficult for us—

Mr. GRAVES. Your hands are effectively tied. Do you think Congress should revisit that in terms of something that you believe

causes economic harm, or undermines the objectives of the fiscal plan, but you don't have the ability to actually help reset that?

Ms. JARESKO. I think it should be very clear that the intent of PROMESA was for us to be able to stop things that were having an adverse effect on the fiscal plan, yes.

Mr. GRAVES. Thank you.

Mr. Chairman, in closing, I want to jump back over to the Jones Act. The Jones Act is a national security issue, it is a homeland security issue. That is why President Obama, that is why President Clinton, both the President Bushes and Secretaries of Defense, Joint Chiefs of Staff, the Commandant of the Coast Guard and many, many other of our military and national security leaders continue to support and defend the importance of that law.

With that, I yield back.

The CHAIRMAN. Thank you.

Ms. Hanabusa.

Ms. HANABUSA. Thank you, Mr. Chair, and thank you to the witnesses who are here today.

Director Jaresko, I want to understand the backdrop by which we are dealing with here. And of course it is about PROMESA. PROMESA was not intended to address the hurricane, clearly. It was to address the economic turnaround of Puerto Rico. And that was, of course, passed last year in the Congress.

You said that the PROMESA tools are fine. What you would like to see is basically the Congress put appropriations behind some of the legislative mandates that we may have in there. Yet, Mr. Zamot, who is really entrusted with doing the part that you found to be so critical, because you also said that if the electricity falls into place, then everything else will sort of, I guess the domino effect would be that things would get better.

But Mr. Zamot has said in his written testimony that he feels that there is not enough teeth, I guess, for lack of a better description, in PROMESA. He has three steps in his testimony on page 3, and he says, "first, bring all available resources to bear to restore power to Puerto Rico as quickly as possible; second, develop and implement the transformation plan for PREPA, ensuring that the near-term recovery activity is consistent with the long-term vision; and third, ensure the utility exits PROMESA's Title III." Title III is the debt.

So, we have come full circle. Your debt is about \$74 billion, right? And that is just the outstanding bond debt and so forth. How are we going to do all of this, when one of the major priorities of the recovery of the electrical grid—and Mr. Zamot can, because this is his testimony—how are you going to do that when \$74 billion is not going to go away?

Ms. JARESKO. I think, first of all, we need to clarify. PREPA, with regard to Mr. Zamot, has about \$9 billion of that \$74 billion. The rest is the Commonwealth and other instrumentalities.

Ms. HANABUSA. Right.

Ms. JARESKO. And I think the reason that the Board named and decided at this very difficult time to appoint Mr. Zamot is to bring all these processes together, because they can no longer be looked at in separate silos. We cannot deal with the bankruptcy and the Title III separate from the transformation of the energy sector,

because how we deal with private-sector investment or not has to be in that plan of adjustment, and it also has to be in the fiscal plan.

And then we have all this Federal funding hopefully coming to PREPA to rebuild quickly, and the electricity, that now has to be brought together—

Ms. HANABUSA. So, do you want \$74 billion—I am just trying to understand. You have \$74 billion. I understand \$9 billion is PREPA.

Ms. JARESKO. Yes.

Ms. HANABUSA. But you are saying that the electrical restoration is the most important.

Ms. JARESKO. Yes.

Ms. HANABUSA. Mr. Zamot, when you talk about exiting “Title III,” which is the debt, are you talking about exiting \$9 billion, or are you talking about the whole \$74 billion?

Mr. ZAMOT. No, ma’am. We are talking about a transformation plan that will address PREPA as a covered entity under Title III, and exiting Title III via the plan of adjustment means that we now have a legally enforceable way forward to transform the electric utility. And part of that is actually the renegotiation of that debt.

Ms. JARESKO. And it is the \$9 billion, ma’am.

Ms. HANABUSA. But the Title III is about the whole debt. Title V is what gives you your authority under PROMESA to come up with these innovative plans. Isn’t that correct?

Mr. ZAMOT. You are correct, Title III is, in large part, having to do with the bankruptcy, the debt piece. But it also provides the Board with a tool, this fiscal plan to actually transform each of these covered entities. We incorporate the economic development aspects of Title V into that.

Ms. HANABUSA. OK, so that we are clear, if we were looking at how to get the electricity back as quickly as possible, it would be to exit that \$9 billion debt. That would be one of the first things we would have to do, and then all your different plans under Title V can take place. Is that a correct statement, Mr. Zamot?

Mr. ZAMOT. Not exactly, ma’am. To exit and to get the power back on, we need to take a number of tactical actions on the ground through FEMA money, through grants, whatever it may be. But there is a separate, related but separate, process in renegotiating that, and coming up with a plan to do that under Title III, and that is called a plan of adjustment.

Ms. HANABUSA. So, how much money is that? That is why you are here. How much money is that?

Mr. ZAMOT. How much money is it to actually—

Ms. HANABUSA. Right.

Mr. ZAMOT. Ma’am, we could provide you some details very soon as we work that.

Ms. HANABUSA. Please, thank you. And I yield back.

The CHAIRMAN. Mr. Hice.

Dr. HICE. Thank you, Mr. Chairman.

Ms. Jaresko, it looked like you had something you were wanting to say. I wanted to give you an opportunity.

Ms. JARESKO. I just want to add that completing that Title III process, having the court affirm a plan of adjustment, which is, in

essence, a business plan going forward, gives the private sector, the new private sector, new investment, some sense of stability and certainty, as they make new investments into the electricity sector.

Dr. HICE. Thank you. As I look at all of this, it kind of comes down to two key issues that are important to all of us, and one is, first of all, to make sure our fellow Americans in Puerto Rico are receiving the emergency care that they need at such a time like this and, second, to make sure that we are good stewards of the Federal resources that are going there, and that kind of provides the umbrella for everything within this discussion.

And I guess within that context, Ms. Jaresko, let me ask you this, and thank you, each of you, for being here today. I know the tasks that are currently facing Puerto Rico—and by extension you, the Board, and those around you at this time—are drastically different than they were before the hurricane. And, of course, when Congress put forth PROMESA, there was no way we could foresee a hurricane like this, either.

So, with all of that, should this Committee right now be comfortable with PROMESA, with Board membership, with you, the associate advisors, all of that put together, those that have been hired, in light of the new task that you are dealing with now?

Ms. JARESKO. I think we are blessed, in fact, with the quality of the Board that was appointed. The expertise on the Board that varies from dealing with other municipal restructurings to dealing with running municipalities, running municipal governments, dealing with complex situations, and very, very difficult disasters.

I think both the staff and the Board have the group of characteristics, experience, and dedication that you would need and is required for the situation. And I think, in terms of our hiring, we have had to hire additional staff, for example, in order to meet the contracting policy needs. We don't want to get in the way of government doing its business, we want to do it in a quick and efficient fashion, so we have had to add expertise in the areas where contracts are going to be written.

But I think we are capable of doing that, and we are on top of it.

Dr. HICE. All right, so you would say, from a transparency perspective to this Committee, that we should feel comfortable with where things stand right now, in terms of leadership?

Ms. JARESKO. I believe so, yes, sir.

Dr. HICE. OK. Based on a Committee hearing we had here in March, a significant complaint that came forward of the creditors was the failure of the Board to meet with them and understand the technical challenges of PREPA. It is my understanding that the creditors actually offered PREPA a 5-year debt holiday, debt forgiveness, and these types of things, but the Board chose rather to go with bankruptcy.

Considering the hurricane and where we stand now, do you still think that was the best decision?

Ms. JARESKO. I think that the RSA that you are describing, in terms of what was negotiated between the Commonwealth and the creditors, was one where reasonable people could differ.

I think today the Board and all of us should be very happy that we did not enter into that agreement because, given the situation,

the cost of that agreement as written would have been an unbearable burden for the electricity, those who use electricity.

I think that we have established, to your first point, a new dialogue with those creditors post that RSA decision and the decision to take PREPA into Title III, and I think we were on the way to finding something that would both serve Puerto Rico and answer their concerns that they rightfully have. I think we continue to have that dialogue and will continue to have it, both in the mediation format—we have five Federal mediators that work with us—as well as directly.

Dr. HICE. So, you stand by that decision and still feel like it was the right decision to make?

Ms. JARESKO. Yes, sir.

Dr. HICE. OK. Can you tell me something about Mr. Armando Silva, at this point? I have not been able to find much information on him. He is a debt restructuring director, is that correct?

Ms. JARESKO. Yes, sir.

Dr. HICE. OK. A little bit of his background, who is he?

Ms. JARESKO. He is a Puerto Rican financial expert. He has worked for city, as well as for a few other investment banks. He has both municipal banking and private banking experience. He is working as my deputy in this area, because we have, as you noted, an enormous amount of work.

Dr. HICE. Can you share with this Committee how much he is being paid?

Ms. JARESKO. I can't. Off the top of my head, I can't tell you. But I will give it to you in writing, sir.

Dr. HICE. OK. Thank you for that.

Thank you, Mr. Chairman, I yield.

The CHAIRMAN. Thank you.

Ms. Barragán.

Ms. BARRAGÁN. Thank you, Mr. Chairman. First, I actually happen to sit on Homeland Security Committee, and we were supposed to have hearings on the Federal response and FEMA response, and it has been canceled three times. It has been completely unacceptable that that has happened. I am glad to hear that we are at least having a hearing here today on this, so thank you, Mr. Chairman.

I wanted to echo my colleague's concerns about the difference in response between the Haiti earthquake and in Puerto Rico. There have been several articles, the facts are there. You can't miss them. I mean, the fact that you had over 300 military helicopters within 2 weeks in Haiti, and only 40 within 8 days in Puerto Rico I think is just one of many statistics out there that show the differences, which is why I want to make sure to ask questions about why this has been happening.

I think there has been a huge disparity, I think the response has been inadequate, and that we need to continue to not just be loud on this voice, but to continue to make sure we are looking at all of the options to help Puerto Rico recovery.

I want to just highlight, and I know some people have talked about this already, what is happening with the water situation down there. We have heard instances where towns have been so desperate that they have found these hazardous sites where there has been water, and people have been drinking from them. And for

me, I don't understand why we are not talking about this in this Committee, where we deal with water and power. I get that the power thing is very important and that we need to focus on that, but, Mr. Mayor, do you think that the 20 percent of people without clean drinking water believe the Federal Government's response has been adequate?

Mr. PÉREZ. Well, if you ask those people, they will say no. As I told you, this Committee, if you ask the mayors, we would like a faster response. For example, in Guaynabo—

Ms. BARRAGÁN. Sir, I am sorry, I don't want to cut you off, I just want to make sure to get through some of my questions. That was the answer I thought you would say.

You mentioned in your testimony, as well, that 80 percent of families in your district are without electricity, and most in rural areas also lack water. Are you satisfied with the rate of progress in getting electricity and water out in your areas? And a yes or no.

Mr. PÉREZ. No, with the electricity, not at all.

Ms. BARRAGÁN. Thank you. With that, I want to go ahead and yield the remaining time to my colleague, Mr. Gutierrez.

Mr. GUTIERREZ. I thank the gentlelady and I thank the Chairman for allowing us to participate.

I want to go to Mr. Zamot. Coal ash, toxic coal ash, you don't know about any controversy in Puerto Rico about toxic coal ash?

Mr. ZAMOT. Sir, we have seen reports in the press.

Mr. GUTIERREZ. You have seen reports in the press? Well, you would have to be pretty blind not to know that there is a huge controversy already in Puerto Rico when it comes to toxic coal and the opposition of people to it. And I hope, although your Board does impose over the people of Puerto Rico a supremacy, that you would not use that supremacy to continue to use toxic coal ash.

Arecibo incinerator, Mr. Zamot, I would hope you would talk to Secretary Vilsack, because you seem to have a different perspective than he does, since the loan from the USDA is through the rural utility services. In other words, the money is not in order to do something with waste management. The money is to create energy.

But you said to us earlier, and correct me if I am wrong, if I misunderstood, that the purpose is for, basically, garbage disposal, and not for energy. How do you see it? Is it garbage disposal or energy? What is the primary purpose of it?

Mr. ZAMOT. Sure. The government of Puerto Rico has a letter out, and they consider that plant in Arecibo to be both a provider of energy—

Mr. GUTIERREZ. But when you said primarily, you said primarily.

Mr. ZAMOT. The plant at Arecibo, about 2 percent of the aggregate electrical demand—

Mr. GUTIERREZ. OK, so primarily, I heard you, and we can go back to the record, you said that it was primarily, yet they are asking for a loan between half-a-million and \$750 million.

And let me just assure you and everybody here—given the fact that the government of Puerto Rico already owes over \$2 billion, unless Ms. Jaresko is going to use some of her skills to eliminate that debt, I don't see how we are going to do that.

In the last 25 seconds, because I want to focus on this issue with you, do you believe that the control board has such power that you

do not have to take into consideration the concerns of the duly elected mayors of the cities that will be affected by the incinerator, or do you feel you need to consult with them before you make a decision, going forward?

Mr. ZAMOT. Sir, in 9 seconds, the statute provides for a public comment period that—

Mr. GUTIERREZ. So, you don't believe, you do believe that you are a supreme, you are kind of a dictator over everything?

[Pause.]

The CHAIRMAN. Miss González.

Miss GONZÁLEZ-COLÓN. Thank you, Mr. Chairman, and thank you, all of you, for being here, the panel.

First of all, I want to thank the Chairman and all members of this Committee that have been traveling to the island during the last month-and-a-half. I think it is important for Congress and all Members from the House and the Senate to actually go there. It is totally different when you receive a report and actually look at the people there.

People say that the roads are clear. They are not. I was there yesterday in Barranquitas, and we have more than 18 bridges that were washed away by the rivers. We still have a lot of roads that have collapsed, and others that are still closed because of the debris that is still on the roads. So, we still face a lot of challenges.

First of all, at this time, 67 percent of our people are still without power. I mean I think that is unacceptable. More than 20 percent of the island is without running water. A lot of issues regarding communications, as the Mayor established in his testimony. But how do we actually make things change on the island?

One of the issues regarding this oversight is, what challenges does Puerto Rico have in the recovery process? And I may say the first challenge is how the Stafford Act actually permits FEMA and the government of Puerto Rico to work with the rebuilding process.

And for that I want to thank Congressman José Serrano for allowing me to join him in filing a bill last Friday that would make direct amendments to the Stafford Act, in the area of allowing not just repair, or to get back to the 1950s or 1960s infrastructure that we have on the island, but actually going into this century, in terms of technology, in terms of making a rebuild of the island, not a repair. I think the people of Puerto Rico can have that.

And for that reason, I am also disappointed that I am not seeing here I think one of the star witnesses to this Committee, the PREPA Executive Director. I think this Committee and the rest of the people in Congress need to know what happened, in terms of the maintenance, in terms of the efforts from PREPA on the connection of the grid. And if you ask somebody from the island what is their main concern at this time, it is that they don't have access to power, to the power grid.

And we can continue to see more than 100,000 people leaving the island every day, 1,000 a day, a doctor per day or more. If we don't have connection to power, we are going to continue to suffer in our hospitals. There are 19 of them still working on generators. That is unacceptable.

If we don't have access to electricity, we may lose our manufacturing industry, our pharmaceutical industry, our medical device industry. And that represents more than 32 percent of our GDP.

So, for the last month we are going to be with zero revenue, and we are not tackling those problems. So, not having the PREPA Director here means—I mean, what is happening there, what happened about the contract, the transparency, in terms of negotiation with the contracts regarding the recovery process.

And in that regard, I will directly ask the Board Executive Director in terms of—you say that the Board has the power to name a Chief Transformation Officer to take over the management of PREPA. And at the same time, I know that state governments, state legislators, the Governor, are against that. And you filed a motion in the court to allow that to happen.

Do you have the power, or don't you, to actually name the coordinator board?

Ms. JARESKO. Thank you. We believe we do have that power, and that is why we filed that petition in court. We believe we have that power under Title III, as any representative of a debtor. And the Board is named the representative of the debtor in the Title III in the law, in PROMESA, to name a chief restructuring officer, a receiver, a chief transformation officer, as we call it—

Miss GONZÁLEZ-COLÓN. Sorry to interrupt you, but then you don't need any change in the PROMESA law? You don't need any power to make that happen? Because that is the question this Committee is doing.

What do you need, in terms of helping the people of Puerto Rico to recover power? I think that is the main question. If we were a state, we would not have you. If we were a state, we would have full funding in all Federal programs. And that is a problem all territories have.

Ms. JARESKO. The Board believes that appointing a CTO will help us move more quickly to restoration of power. That is the only reason the Board took this position, and it took it at this time.

In terms of what we need, the judge can make a decision on our own. But again, the reaffirmation of the Congress and/or conditioning of further appropriations on this would be helpful.

Miss GONZÁLEZ-COLÓN. Thank you, Mr. Chairman. And I have plenty of questions that 5 minutes will not make it, so I will submit them in writing. I yield back.

The CHAIRMAN. I want to thank Representative González for being on all of these CODELs that have gone down there to see firsthand, especially the one I was on.

We will also tolerate a second round. I can yield you some more time when I get there, but we have a couple of speakers who have not asked any questions yet. We have to go through that first.

Mr. Soto, you are recognized.

Mr. SOTO. Thank you, Mr. Chairman. I represent the Orlando, Florida area, and we have hosted over 90,000 of our fellow Puerto Ricans in Florida and care deeply about the recovery.

I know I don't have to convince the people of Puerto Rico that FEMA's response has been wholly inaccurate. They are already living that nightmare. However, PREPA is part of the problem. We all know it has been a vehicle of political patronage for decades. It

has exhibited gross incompetence by overseeing a declining grid, approved a no-bid, insider Whitefish contract, and has been mired in debt. PREPA is failing the Puerto Rican people.

As we look to the rebuild, Mr. Chairman, I encourage this Committee, along with Governor Rosselló and the Puerto Rico legislature, to embrace three principles: (1) to embrace renewables; (2) to rebuild with resiliency; and (3) to enact critical reforms.

As to embracing renewables, we must continue on this path of having 50 percent of our energy by renewable energy, and I think we take up the task of innovators like Elon Musk and others to look at solar and wind, and look at biofuels, since we have an all-season-long, year-long growing cycle in Puerto Rico. And this can be an energy model for the 21st century if we invest right.

In addition, we must rebuild with resiliency. By building an infrastructure that is going to withstand future hurricanes, that is putting power lines underground, where appropriate and, in other places, using cement poles rather than frail wooden ones. And last, we need to enact reform. I encourage Governor Rosselló, the Puerto Rican legislature, to work along with PROMESA to break up PREPA's failing monopoly.

Florida has investor-owned utilities. We have rural cooperatives. We also have municipal energy associations that work together to create our system in Florida. And this is common throughout the United States. I encourage you all to set up regions to be bid out and allow utilities, both our cities, rural cooperatives, and investor-owned utilities, to be able to bid. And if they bid, they have to pay for the rebuild, or at least part of it, and they should be meeting these renewables standards.

And the recently created Public Service Commission should be overseeing rates, because I worry that the Federal Government, along with the Puerto Rico Commonwealth Government is not going to be able to pay for this on its own.

So, Mr. Zamot, what is the total cost of the rebuild of the grid right now?

Mr. ZAMOT. Sir, we are looking at that right now. We don't have a final estimate. The estimates are broad.

Mr. SOTO. Would it be north of \$50 billion?

Mr. ZAMOT. For the island, in total? I think there are some estimates that suggest that.

Mr. SOTO. So, is it reasonable to think that the Federal Government, along with the Commonwealth Government, is not going to be able to pay that on its own?

Mr. ZAMOT. Sir, speaking to the electric utility in particular, I think it is only reasonable to have a mix of Federal and private dollars for that recovery.

Mr. SOTO. Mr. Pérez Otero, Mayor, do you think that mayors such as yourself and other municipalities would be interested in bidding as municipalities to have a utility?

Mr. PÉREZ. Well, the thing is, right now there is a fiscal problem in the municipalities, and that is why I am saying you took care of the liquidity of the state government, now you have to see the municipalities, because we have lost revenues, we have lost our businesses, and we have a lot of problems. And we are the first responders.

Mr. SOTO. Sure, but a possibility in the future of being interested in that, is that correct?

Mr. PÉREZ. It will be a possibility in the future.

Mr. SOTO. And Ms. Jaresko, do you think that this would necessarily have to be part of that vision, if we are going to be able to rebuild a more resilient, a more renewable-based grid in Puerto Rico?

Ms. JARESKO. Yes, sir.

Mr. SOTO. And why?

Ms. JARESKO. I think that is the only solution for Puerto Rico right now. The past has shown us that the past, in terms of a single monopoly, a state-owned monopoly, does not work. And we also have a responsibility to the taxpayers who are helping to rebuild, hopefully, very quickly, to make this as efficient and as resilient as you have described.

Mr. SOTO. Thank you, Ms. Jaresko.

Chairman, I encourage this Committee to work with our Governor Rosselló, the Puerto Rican legislature, and the PROMESA board to embrace renewables, to rebuild with resiliency, and to enact these well-needed reforms by embracing competition. And I yield back.

The CHAIRMAN. Thank you. We are coming close to the witching hour when we have to go, but I want to make sure that everyone who has not yet addressed or asked a question has a chance to do so, and then we will see where we are at that stage of the game.

Mr. Brown.

Mr. BROWN. Thank you, Mr. Chairman. Two weeks ago I had the privilege of joining with you, as I mentioned earlier, and a number of our colleagues to visit Puerto Rico and the U.S. Virgin Islands, as well as the Florida Keys. I do want to take the time to thank Ms. Jaresko and Mr. Zamot for your role in addressing the financial stability of Puerto Rico.

And Mayor Otero, I want to thank you for your leadership, particularly in this very trying time for the residents of the town that I know you hold dear in your heart.

When we were on the ground in Puerto Rico, I witnessed the challenges that Puerto Ricans face every day, and what it will take to rebuild a stronger Puerto Rico in the aftermath of these storms. We visited Utuado, a town in the interior of the island, where homes and infrastructure were extensively damaged, and ongoing landslides and rain make progress extremely difficult. Many residents struggle without power or access to clean drinking water, food, or medication. But they do all they can to support one another and simply survive.

It has been a month-and-a-half since Hurricane Maria hit. And, as we have heard, more than 60 percent of Puerto Ricans are still without power, more than 20 percent of the population does not have access to a source of clean drinking water, close to 5,000 continue to live in temporary shelters, and 21 of 51 sewage treatment plants are down. People are suffering from mold on their skin, and sepsis in their water. And this simply cannot be tolerated.

The Puerto Rican people are resilient, but they feel isolated and forgotten. And I cannot even begin to describe in words that frightening, eerie feeling that I got, even knowing that I was going to be leaving Utuado in minutes, when the sun set and darkness descended and completely encompassed this small town in darkness. It is frightening. It is no wonder people feel isolated and forgotten.

Congress' Number one priority must be the ongoing short-term relief and recovery efforts that will allow Puerto Ricans to get back on their feet and return to a sense of normalcy to their everyday lives. Then, and only then, after ensuring the immediate needs are met, should we turn to the longer-term recovery and rebuild effort that must focus on establishing a safer and more resilient infrastructure and a financially stable Puerto Rico.

I get that it is overlapping, but I would hope that our discussion today, whether it is PROMESA and its authorities, procedures, oversight, and roles and responsibilities; whether it is NEPA and its requirements, and whether they should be waived or exempted; or the Jones Act—that should not eclipse the more immediate concern that we need to address and not forget regarding Puerto Rico.

The Stafford will require the reconstruction of Puerto Rico's power grid, not only rebuilding it in the way that it was before, but doing it in a new and better way; a focus on building resilient and sustainable infrastructure moving forward, especially outside of San Juan; a requirement that building codes that are designed to minimize the loss of homes and commercial buildings are actually enforced. And I know that that is an issue, as well.

But our focus today should be on the dire situation on the ground and providing Puerto Ricans with every Federal resource that they need. Better coordination between FEMA, the Army Corps of Engineers, the Oversight Board, local NGOs, and the government, and avoiding controversial and unaccountable contracts like that with Whitefish. You cannot turn this around overnight, but we have to remain focused on the immediate, tangible needs to our fellow Americans in Puerto Rico.

And Mr. Chairman, with that, I will yield to Mr. Gutierrez the balance of my time.

Mr. GUTIERREZ. I thank the gentleman. Mayor, thank you very much for being here with us. Could you tell us your annual salary?

Mr. PÉREZ. Mine?

Mr. GUTIERREZ. Yes.

Mr. PÉREZ. \$96,000.

Mr. GUTIERREZ. \$96,000. Mr. Zamot, what is your annual salary?

Mr. ZAMOT. Sir, that is a matter of public record.

Mr. GUTIERREZ. How much is it?

Mr. ZAMOT. I think it is in the record, sir.

Mr. GUTIERREZ. Can't you just tell us how much it is? You know how much you are getting paid. Why are you so reluctant to give it to us, this is a committee, I just want to know how much you are getting paid. The Mayor was very forthcoming.

Mr. ZAMOT. The Board found a competitive compensation of \$315,000.

Mr. GUTIERREZ. \$315,000. Well, my time is up. I would have asked—

The CHAIRMAN. Thank you. Once again, we are running really short on time here, but Mr. Serrano, Mr. Ruiz, you have not had a chance to say anything. Let me make sure we give you the 5 minutes, and then we will see where we are from there.

Mr. Serrano.

And by the way, I like your bill. Next time you write it, give it so I get some jurisdiction over that as well, it doesn't always go to a different committee.

Mr. Serrano, you are recognized.

Mr. SERRANO. Thank you for inviting us today, and for all your work. I thank my colleague, Jenniffer, for all her work.

Ms. Jaresko, do you believe the Financial Oversight and Management Board for Puerto Rico is subject to the oversight power of the Congress? Do you believe the Board is accountable to Congress?

Ms. JARESKO. Yes, sir. We are a creature of Congress.

Mr. SERRANO. Then I have to tell you that I am very disappointed that a letter that my sister and friend, Ms. Velazquez, and I wrote on August 22, expressing our concerns over the lack of transparency and independent supervision over the spending decisions made by the Board, has not been answered.

Ms. JARESKO. Yes, sir. We had an answer for you, we were waiting to complete our audit, and the hurricane hit. That response should be received within 24 hours because we have now completed our audit, which we wanted to attach to the response.

Mr. SERRANO. OK. Well, I appreciate as things get somewhat to normal, that we could get a response.

Ms. JARESKO. Absolutely, sir.

Mr. SERRANO. As a result of Hurricane Maria, will the Board change its austerity-based plan on the island? And how does it plan to improve the finances of the government of Puerto Rico at a time in which the government is having very little, if any, revenues?

Ms. JARESKO. First and foremost, the Board immediately withdrew its petition to fully enforce the fiscal plan, which included those furloughs, and made the statement that it will not look at reinstating those furloughs at least within the first year.

In terms of how we look at improving the revenues, the Number one issue we will keep returning to is, obviously, electricity. So, Number one, the focus of the Board is in the appointment of the CTO and getting the electricity back for all the reasons you have described, but not less, as well, the ability to actually have a revenue generation on the island which can provide tax revenue for the running of the government.

Beyond that, we will continue to look at all measures over the next few months, in terms of improving compliance, the kinds of things we looked at before, in terms of reducing expenditures wherever possible.

In the end, we will have to be looking at the population in Puerto Rico and how we can ensure that we can provide the government services necessary for that population with the revenues that we have, and the support of the Federal Government and Congress in the interim to provide the liquidity that we cannot generate.

Mr. SERRANO. Thank you.

Mr. Zamot, you were appointed coordinator by the Board and you have two titles with the Board. And while I supported your

appointment, and I did, as CTO, I do have some concerns about you and the Board upholding collective bargaining agreements.

What are your goals and what do you hope to accomplish in this new role? Do you plan to privatize PREPA or open the electricity market up for competition? And how do you plan to make PREPA more efficient, effective, and honest?

Mr. ZAMOT. Sir, we are developing a transformation plan for PREPA. The exit or the approval of that plan under the plan of adjustment will be a legally binding document. Among the options in there are a number of uses of private capital for that.

With regards to your question to collective bargaining, we see any of those options as compatible with current labor practices.

Mr. SERRANO. Well, I hope that you keep us informed as to my first question. We don't want to micromanage, and the Chairman doesn't want to micromanage, but keeping us informed is very important, because eventually we get asked questions, too, back home in our districts and throughout the Nation and from Puerto Rico.

Mr. ZAMOT. Yes, sir. We will keep you informed.

Mr. SERRANO. Social media has a wonderful way of asking you questions, even if you are not there.

Mr. ZAMOT. Yes, sir.

Mr. SERRANO. Mr. Mayor, thank you for all you do. I can't imagine being a mayor of Puerto Rico at this time. I can't imagine being the governor at this time.

Mr. PÉREZ. Absolutely.

Mr. SERRANO. I know that there was a feeling that you were prepared, both the mayor and the central government. Looking back now, and this is not about criticizing anybody, is there something you, as mayor, could have done to be more prepared, and the central government could have done to be more prepared? Or was this so devastating that you never saw it coming?

Mr. PÉREZ. This is the first time. I think we are all going to learn from this. And after this we have to sit down and establish a new form to receive these storms.

This is why we are asking you for the help, and doing things different. If we want different results, we have to do things different. So—

The CHAIRMAN. I hate to cut you off, Mr. Mayor, especially at the end of this, but we have to move on. I have one last person who has not had any questions at all.

Mr. Ruiz.

Dr. RUIZ. Thank you, Mr. Chairman. It is good to be here again. Thank you for calling this hearing today.

By way of background, I just want everybody to know I am coming to this with someone who has experience and training in humanitarian disaster relief. I am a graduate of Harvard School of Public Health, focusing on humanitarian disaster aid, with training with the Harvard Humanitarian Initiative, the International Committee of the Red Cross. I was one of the first responders in Haiti, and was the medical director for the largest internally displaced camp in all of Port au Prince, it was about 60,000, 70,000 individuals living under sheets and sticks.

So, I have seen firsthand the challenges that arise in the middle of a humanitarian crisis, and the importance of having clear

leadership, coordination, and a plan, the importance of making sure that everybody is participating.

I also understand that there are two phases, the initial, most important, most urgent phase of humanitarian disaster response in order to prevent loss of life, and then also what you are involved in, which is the longer-term infrastructure development, so that we can have economic revitalization and keep the population in Puerto Rico.

The topic of this hearing, obviously, is important. I am glad to hear that you are thinking long-term in ways that will help rebuild Puerto Rico and make it less vulnerable for the next Category 5 hurricane that we know is going to come at some point in the future.

But let me tell you what I found 2 weeks ago when I flew down to Puerto Rico to see the conditions for myself and to do a needs assessment based on my training and experience and to give some recommendations.

First, the people in Puerto Rico are very hardworking, humble, appreciative individuals who, despite the living conditions that they are in, are looking out for one another and helping one another with everything that they have left in order to help each other. OK?

Two, the men and women in DMAT, FEMA, HHS, Army Corps of Engineers, DoD are doing an exceptional, good job within their own departments. And I am very proud of the work that they are doing.

But let me ask you a question to stress a point. Mayor, who is in charge? Name me the organization that is in charge of overseeing the entire coordination.

Mr. PÉREZ. Well, it is from the government and FEMA—

Dr. RUIZ. Which government?

Mr. PÉREZ. Rosselló and FEMA. They are the ones that—

Dr. RUIZ. OK, so government and FEMA.

Mr. PÉREZ. Yes.

Dr. RUIZ. Who is in charge?

Mr. ZAMOT. Sir, I would submit that, for many areas, it is still unclear.

Dr. RUIZ. That is my point. What I found is that there is a lack of clarity in leadership. FEMA officials say that the Puerto Rico government is in charge, and the high levels in the Puerto Rican government say FEMA is in charge, they are running the show. I also found that, while there are countless men and women on the ground doing meaningful and effective work, that work is largely being done in silos, OK?

So, right now, the central command model, a hub-and-spoke model, is not effective for the type of crisis in Puerto Rico. Everybody is concentrated in San Juan in a convention center, air conditioned, food, et cetera, and comfortable. But the people on the ground, as you said, Mayor, the first responders, the communities at the local level, are dealing with problems that keep arising with electricity, food needs, shelter, everybody is moving from one place to another.

What we need is to change that structure to have field command posts with everybody who is involved, and the stakeholders holding

each other accountable, having less bureaucracy, more flexibility, more decision-making control, so that when there is a new challenge, you can respond in a rapid manner to deal with that crisis.

Having said that, Mayor, what do you think about that idea of having field command posts with briefings and collaboration out in the community, rather than all of it being done in central command?

Mr. PÉREZ. That is what I said. When they changed that and they assigned some people to—

Dr. RUIZ. So, you would participate in that?

Mr. PÉREZ. Yes.

Dr. RUIZ. You think that is a good idea?

Mr. PÉREZ. Yes, I have—

Dr. RUIZ. Mr. Zamot, would—

Mr. ZAMOT. Sir, based on my military background, we had a saying: centralized control, decentralized execution. So, if that is consistent with what you are saying, I think that is one of the best ways to actually bring resources to bear.

Dr. RUIZ. Absolutely. You know what? I saw that with the 82nd Airborne when I was in Haiti. I worked side by side with the 82nd Airborne. And they had all the stakeholders together around the table, and we were able to address immediate needs as they arose. And we worked together in a collaborative method to save lives and to move resources into the community. And I see that is lacking in Puerto Rico.

That can easily be resolved if we change the coordination—

The CHAIRMAN. All right, we have several things that need to go on here today in the room.

Let me break the rules and give Ms. Velazquez and Mr. Gutierrez 1 more minute to ask their last questions. And maybe also Ms. González to actually get 1 more minute.

So, Mr. Gutierrez, let's go with you first, just 1 last minute.

Mr. GUTIERREZ. Thank you. I will ask Ms. Jaresko. I did not get to ask you. What is your annual salary?

Ms. JARESKO. \$625,000.

Mr. GUTIERREZ. \$625,000. What is the total cost to the taxpayers of Puerto Rico for the imposition of the Jones Act? What is the total cost, do you know?

Ms. JARESKO. No, I do not, sir.

Mr. GUTIERREZ. At \$625,000, you make three times what the Chairperson of the Federal Reserve Board makes, and you don't know the cost?

Ms. JARESKO. That is correct, sir.

Mr. GUTIERREZ. How can you plan for the future of Puerto Rico if you don't know a fundamental cost that has such a huge impact on the economy of Puerto Rico?

Do you know when the Jones Act was imposed on Puerto Rico?

Ms. JARESKO. Yes, sir, and I did look at the cost, sir—

Mr. GUTIERREZ. I am sorry, do you know when the Jones, I am very limited in time—

Ms. JARESKO. The year? No, I don't know off the top—

Mr. GUTIERREZ. You don't, so you neither know when the Jones Act was imposed on Puerto Rico in 1920, nor do you know the cost.

Ms. JARESKO. That is correct.

Mr. GUTIERREZ. But many economists have suggested that the cost is between \$350 to \$400 million a year. And if you multiply that over the time the Jones Act has been imposed, you can see how minuscule the \$74 billion would be. I would hope, could you please provide us with the total salaries of your deputies and all—

The CHAIRMAN. Thank you. She can do that. She can do that in writing, too.

Mr. GUTIERREZ. Sure, I just wanted to make sure we got it in writing. Also, how many people are assigned as bodyguards to each member of the Board.

Ms. JARESKO. Yes, sir.

Mr. GUTIERREZ. Thank you.

The CHAIRMAN. Ms. Velazquez, please.

Ms. VELAZQUEZ. Thank you, Mr. Chairman. I was just in Puerto Rico last weekend. For the first time I was able to go and see my family in Yabucoa, where the hurricane made landfall. It looked like someone dropped a bomb. And still they are waiting for people to show up.

My brother, who got surgery on his shoulder, was cutting trees with a saw, and the debris is still there on the side of the roads, on the side of the streets.

This is going to be a very painful and long recovery. And people are not even discussing the emotional stress and toll that it is taking on the people of Puerto Rico. People are leaving because they feel that they have no other option. People are leaving the island, coming to Florida, Ohio, Pennsylvania, New York, because there is no hope.

And there will be no hope if we don't have accountability. Whitefish was not discussed. I hope that you do your job and make sure that the taxpayers' money is protected and that we use that money to rebuild Puerto Rico.

The CHAIRMAN. Ms. Velazquez, thank you.

Ms. VELAZQUEZ. Thank you.

The CHAIRMAN. And you are right, we should have had a witness, we had a witness who bailed on us last minute who could have been answering those Whitefish questions, you are right.

Ms. Hanabusa, do you have a motion?

Ms. HANABUSA. Yes. Mr. Chair, I would like to move that the following letters be added to the record by unanimous consent: one from the National Hispanic Leadership Agenda; one from Earthjustice; one from the Hispanic Federation; and the last from VOCES.

The CHAIRMAN. Ms. González, I said, as you are a representative of this island, I will give you 1 minute also to conclude here.

Miss GONZÁLEZ-COLÓN. Thank you, Mr. Chairman. I think the greatest heroes working this project are the people of Puerto Rico. They are the ones doing all they can to surpass this difficult time. We never before experienced this kind of catastrophe. And I want to thank all the personnel that are still working there, all the municipalities, the government of Puerto Rico, doing all they can to recover.

But we need, as Congress, to make many changes in a lot of Federal laws to provide for those services to the island. Of course,

I do think that because of our condition as a territory we are not receiving the same amount of funds, the same amount of attention in many areas, and we do need the tools.

My question to you will be to submit in writing all your proposals for the tax reform, all your proposals for healthcare reform, all your proposals for infrastructure reform. And I need that all in writing, because we cannot continue to discuss things in the air without having a written position from the Board.

Thank you, Chairman.

The CHAIRMAN. No, thank you. I thank you all for being here. I thank our guests for joining us in this Committee. I do thank the three witnesses for being here very much. Mayor, thank you for coming all the way up here. The Board, as well as Mr. Zamot, thank you for being here.

I think we have heard very clearly the importance of a congressional reaffirmation to go forward. Ms. Velazquez was actually right. Whitefish was not discussed here, but I look at the Board, in looking at that in the future, because there is a procedure that needs to be reviewed.

As we have said at the very beginning, to solve this problem it must be done with coordination, and not in an adversarial concept for all the players, including the government of Puerto Rico, the Oversight and Management Board, as well as FEMA, and the Army Corps of Engineers going together.

And, look, the Board is not going to go away until your job is finished. We have to recognize that. We want to make sure that you have the tools necessary to make sure it is efficiently and effectively done. And let's face it, the grid is the future of Puerto Rico. That has to be the first thing, as everyone has been saying here.

So, under Committee Rule 3(o), Committee members have up to 3 days to submit any other questions to you all. You get the joy of answering those questions, and you have 10 days to do it before our record is actually closed. Nothing personal, but that is life.

[Laughter.]

The CHAIRMAN. With that, I want to thank everyone for being here. This has generated a great deal of attention. We will still have another sequel to this next week. The Governor and some of his staff are also up here to answer the same kinds of questions.

With that, thank you for your participation; we are adjourned.

[Whereupon, at 1:10 p.m., the Committee was adjourned.]

[LIST OF DOCUMENTS SUBMITTED FOR THE RECORD RETAINED IN THE
COMMITTEE'S OFFICIAL FILES]

Rep. Hanabusa Submissions

- Letter addressed to Chairman Bishop and Ranking Member Grijalva from Earthjustice dated November 7, 2017.
- Letter addressed to Chairman Bishop and Ranking Member Grijalva from the Hispanic Federation dated November 5, 2017.
- Letter addressed to President Trump from the National Hispanic Leadership Agenda dated October 1, 2017.
- Statement for the Record from VOCES Leadership in Action, titled “Congress must act now to respond to the crisis in Puerto Rico and the USVI”

