



ASOCIACIÓN DE  
**CONSTRUCTORES**  
DE PUERTO RICO

**Puerto Rico's Post-Disaster Reconstruction & Power Grid Development  
Executive Summary  
November 17, 2022**

Thank you for the opportunity to present our views to the Committee on Natural Resources. The Puerto Rico Builders Association, since 1951, has represented our real estate developers, builders as well as related industry professionals. We are the PR Chapter for both the National Association of Homebuilders (NAHB) and the Urban Land Institute (ULI). I come to you in my capacity as a former Chairman of the Association for the years 2018-2019.

On September 20, 2017 our vulnerabilities were exposed in a manner we never thought would happen. This has been the biggest disaster on US territory. Approximately 60,000 families lost their homes while our infrastructure was destroyed. Still today we're struggling to provide basic necessities to our people. The saddest thing of all, is that we were warned almost twenty years ago. The same thing has happened before: from 1989 until this day.

It's a shame that we did not take the necessary steps to prevent today's predicament. Except for the adoption a new building code, we're still facing the same challenges in 2019. Nevertheless, Hurricane María represents the best chance we have to rethink and rebuild PR the right way; the canvas was left essentially blank. We need to start over.

The question must be: how do we take the necessary steps so that we don't find ourselves in this same predicament? How do we finally solve our vulnerabilities? These are true for the reconstruction after the hurricane as well as our eleven year old economic depression. The opportunity is here to rebuild a resilient Puerto Rico.

The slow and bureaucratic process implemented by FEMA under section 428 of the Robert T Stafford Act, and 2 CFR 200.205 has created significant delays in federal aid for permanent construction programs to start. On October 30, 2017, the Commonwealth of Puerto Rico elected to participate in alternative procedures for all large project funding for Public Assistance (PA) Categories C-G, pursuant to section 428 of the Stafford Act, for permanent work following Hurricane Maria. The Alternative Procedures Program is one in which grants for permanent construction projects after a disaster are based on fixed cost estimates during the project formulation process. This section, 42 U.S.C. 5189f, requires when determining eligible costs for repair, restoration, and replacement of damaged facilities under Section 406, in paragraphs (F) & (G), that cost estimates certified by qualified Professional Engineers be taken into consideration.

Typically, and as required by the Stafford Act, FEMA has accepted recipients' cost estimates from professionally licensed engineers and validated them. In addition, FEMA is accepting applicant prepared and certified fixed cost estimates in other jurisdictions. Only not in Puerto Rico where FEMA prepares all cost estimates.

FEMA issued guidance on implementing Public Assistance Alternative Procedures Program Guide for Permanent Work (PAAP-PW) last April of 2018. Circumventing Congress' requirements, and deviating from its own implementation guidance, FEMA elected not to consider certified cost estimates by professionally licensed engineers mutually agreed between the Administrator and the Puerto Rico Government.

Due to the magnitude of the disaster, and FEMA's failure to expedite its own process, the result has been totally contrary to the reasoning provided in PAAP-PW to not allow applicants to submit cost estimates certified by their professionally licensed engineers as required by Section 428 of the Stafford Act. This greatly impacted project formulation process and delayed PREPA's PW.

On September 18 2022, due to Hurricane Fiona's impact to Puerto Rico, a total blackout again occurred. Contrary to Hurricane María's impact, our generation system suffered more damages than the Transmission & Distribution System. This is due to a concentration of generation plants in the Southern Region of Puerto Rico. Since then, there has been a shortage of electrical power generation in Puerto Rico.

The storm damage has dramatically increased the risk of customers experiencing load shedding events. Prior to Hurricane Fiona, customers were 88 times more likely to have a load shed event, when compared to the average mainland electric customer. They are now approximately 500 times more likely to have a load shed event (compared to the average mainland electric customer).

The economic impacts to Puerto Rico are estimated in \$168MM this year and \$700MM unless mitigation measures are implemented. It is estimated that, if current trend continues, power generation in Puerto Rico could be stabilized by March of 2024. This is not an acceptable timeline for our private sector.

One of the models of governance typically considered in the reform process is that of privatization. It creates functionally separate units of the government in such a way that they cannot be easily pressed to pursue non-commercial goals through non-transparent actions. After privatization, the government no longer confronts a conflict of interest between its role as owner of the public service company and its role as a public policy maker. The costs and benefits of the arbitrary use of the power to formulate public policy also change to the extent that the government now has an interest in the existence of rules that encourage investment and that should change only after considering the effects of such changes.

Privatization, however, is not a magical measure with assured results and a path free of pitfalls. First, it requires the government to make a credible commitment by favoring tariff schemes that cover costs (or a combination of tariffs and subsidies that cover costs). Otherwise, private investors will not acquire the state company. Second, new political problems are created. Some are corollaries of the economic benefits of privatization, namely, the claim of the company, now deprived of public service, to reduce costs through reductions in high levels of employability, theft prevention, among others. The unthinking opposition of some sectors of interest to privatization and, in particular, to the privatization of basic services, sometimes by foreign entities motivated by profit. Past experiences, both inside and outside of Puerto Rico, also demonstrate that privatization is not a magical solution. Substituting an inefficient public monopoly with an inefficient privately owned monopoly will not solve the power grid problems.

The Association views favorably the use of the vast resources of the federal Department of Energy and the Southern States Energy Board (SSEB) to assist in the development of what should be the new grid (grid) of Puerto Rico. Likewise, we understand that the expansion of the entities that are recognized can generate and sell electricity, such as cooperatives and municipalities.

The SSEB has indicated that its plan of work with the Governor and with the Legislative Assembly has as its goal: to establish a power grid system for Puerto Rico that is: reliable (reliable), affordable (affordable) and sustainable / sustainable (sustainable). Given Puerto Rico's dependence on fossil fuels, and the loss of fiscal resources that such expense entails, Puerto Rico's energy public policy must, first, pursue the greatest possible independence in energy sources. In this sense, although gas is an environmentally favorable alternative, its lack of production in Puerto Rico, except for its generation in landfills such as Fajardo, does not pay for that energy independence that is due, due to conditions of national security and economy, to pursue. However, the use in Puerto Rico of gas, as the coastal project of Aguirre should not entail fiscal commitments that make the wind, photovoltaic and water alternatives that depend on resources that we do have: wind, sun and water, go to a second flat.

Puerto Rico must increase its use of renewable sources, not as a quasi-religious mantra, but judiciously and intelligently, bearing the cost, its reliability, integration, and accurate operation with the existing traditional systems, as its greatest north.

It is essential to address the problem of politicization. We are concerned that the passed Act of Execution of the Reorganization Plan of the Public Service Regulatory Board of Puerto Rico maintains schemes that do not promote partisan political independence of the operation of the former Puerto Rico Energy Commission, now the Energy Bureau. The established model allows, in the long term, to detract from the professionalization and institutional development of an administrative entity with a fundamental mission in the future development of Puerto Rico.

The regulatory framework for Puerto Rico's energy infrastructure transformation into renewables was passed and adopted before the 2017 hurricanes impacted our island. Since then, damages from multiple disasters have left our grid in a state of greater vulnerability. Rolling blackouts occur frequently and the need to amendments to accommodate to immediate stabilization actions is urgently needed. These do not have to alter overall goals to move Puerto Rico into renewable energy but urgent and immediate needs need to be considered.

Finally, let's not forget the state of Puerto Rico's economy and its Government fiscal challenges. The Government of Puerto Rico did emerge from bankruptcy, but an economy predicated heavily in the use of appropriated federal dollars for our reconstruction is not sustainable in the long term. María, who had the most impact, was the most destitute. The deaths did not occur mostly among the most fortunate sectors materially. Decisions on partisan political bases today, affect the health, welfare, jobs, ability to earn a living, dignity and public safety of our brothers less fortunate in the future.

I thank you again for the opportunity to share our views and am available for further collaboration in these efforts.