



Opening Statement
Full Committee Hearing on Puerto Rico Electric Grid
Chairman Lisa Murkowski
May 8, 2018

Good morning, everyone. The Committee will come to order.

We are here today to learn more about the work that has been completed and the work that is still underway to restore electricity to the people of Puerto Rico, and really to discuss this morning moving forward, so much remains to be accomplished. We will also take a close look at proposals to reform the island's energy sector, such as the Governor's proposals with regard to the Puerto Rico Electric Power Authority (PREPA) and the Puerto Rico Energy Commission.

At a hearing we held last November on hurricane recovery efforts, I suggested at that time that there's essentially three basic tenets for the restoration and reconstruction of Puerto Rico's electric grid. I first suggested that we needed to make the grid more resilient to future weather events, I think everybody agrees it makes sense. Number two, in the case of damage from a future storm, bring the timeframe for repairing the grid on par with the rest of the United States, again, absolutely reasonable. And the final is to bring down the overall cost of electricity compared to pre-storm prices, I think that is something we all agree must happen.

Unfortunately, I'm not sure that any of those tenets have been fully or adequately addressed, although I would note that some parts of the grid infrastructure are probably more resilient today, but perhaps more resilient by default as they have been replaced with newer materials. Still, as last month's island-wide power outage demonstrated, the grid remains fragile and unstable.

Before we can get to those basic tenets, however, there remains a very primary question that I think needs to be answered, and that is: going forward, who is in charge of the grid? Who is providing the vision for the future of the grid and who should outside parties be in contact with to help fulfill that vision?

Is it the Governor's office, which is promoting legislation to sell off some of PREPA's assets and contract with a third party to operate the transmission and distribution lines?

Is it the Financial Oversight and Management Board, which recently certified a new fiscal plan for PREPA that includes a process for privatization?

Or is it PREPA, which has a relatively new Board of Directors, and a new CEO, but could be completely upended by these other plans?

Or is it the PREC, which claims responsibility for setting the overall policy direction for the grid, yet could be dissolved under the Governor's reorganization plan?

And then how do the Department of Energy and the Army Corps of Engineers fit into this hierarchy? And of course, what about the creditors?

Today's hearing is also an opportunity for officials to provide some clarity to questions that many in Puerto Rico are asking:

- They are asking, why are we still seeing island-wide blackouts?
- They are asking, where all the federal dollars have gone, how have they been directed?
- And then as we enter a new hurricane season, they are asking whether or not the grid is more stable and more resilient.
- They are asking, what efforts are being made to incorporate alternative energy sources so that the island is not dependent on the global price of oil?
- And then they are also asking what the status of the PREPA privatization proposal is.

So there's a lot of questions to be answered. I would further add a concern about the consolidation of the regulatory agencies in Puerto Rico, particularly the PREC. With Puerto Rico's fiscal issues, attracting capital investment is a struggle. Without a stable regulatory environment, bringing in investors to upgrade the electric grid it will be even tougher. So I'm hopeful that our witnesses this morning can help us sort through these issues and provide a little more clarity, not only to the Committee, but to the people of Puerto Rico and the many, many who are closely following the situation on the ground.

So I thank you all for being here as we focus on this important issue. I will turn to Senator Heinrich for an opening statement, he is helping out Senator Cantwell this morning and we appreciate you taking the chair here.

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