

Testimony of Natalie Jaresko
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before the

Senate Committee on Energy and Natural Resources

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Chair Murkowski, Ranking Member Cantwell and members of the Committee, I am Natalie Jaresko, Executive Director of the Financial Oversight and Management Board for Puerto Rico. It is an honor to appear before the Committee.

Unlike the other members of the panel, I am not an energy expert, but I will try to frame for the Committee the Board's approach to the Island's power system. Let me first, though, if I may, step back.

The Oversight Board is a creature of Congress, created in last year's PROMESA legislation to deal with the fiscal and debt crises faced by the Commonwealth and many of its instrumentalities, including its power system, PREPA. The problems we were designed to address were decades in the making.

Under PROMESA, our primary tools to restore fiscal discipline and access to the private capital markets are certified Fiscal Plans. Before the hurricanes, we

had put in place fiscal plans and associated budgets for the Commonwealth and several of its instrumentalities, including PREPA, that were *balanced without federal aid*. Because the Commonwealth and some instrumentalities, including PREPA, had an enormous and unpayable debt burden, they entered the bankruptcy-like process established by Title III of PROMESA.

That is more or less where matters stood before the hurricanes. In the Board's view, after the hurricanes, the Board's role of providing confidence, oversight, and transparency is even more important to the welfare of the people of Puerto Rico and the protection of taxpayers.

We are an *oversight* board. Our mission is to be able to tell all stakeholders – from residents of the Island to Congressional representatives, from creditors to American taxpayers – that the Commonwealth and its instrumentalities are fiscally responsible and self-sufficient. To do so, we are utilizing all the tools Congress gave us to the fullest extent possible. We have the power to certify fiscal plans that meet PROMESA's goals, and deny those that don't. We have the power to require that spending be in accordance with the certified Fiscal Plans and annual budgets. We have the power to review contracts to require that they be consistent with certified Fiscal Plans.

But the truth is, the recovery of the island now depends not only on fiscal discipline but more importantly on federal hurricane relief. We must revise our

fiscal plans to reflect the new realities of declining revenues, postponed savings and the need for emergency- and recovery-related expenditures. There is no way around it—the immediate human needs and the longer-term success that the Board was established to facilitate depends on the continued generosity of American taxpayers in the form of emergency and supplemental appropriations.

Similarly, the success of our mission depends on the people of Puerto Rico and its businesses, especially its manufacturing base, having the confidence that timely and sizeable federal aid is coming and will be sufficient for the rebuilding and recovery. In particular, the number of people and businesses that leave the island over the coming months will be deeply affected by the perception of whether the necessary help is forthcoming.

Hence, the Board joins with the Governor and the people of Puerto Rico in requesting that the upcoming supplemental appropriations give the people and businesses of the Commonwealth confidence in the federal government's commitment to the island's recovery. However, we know that it is not realistic to believe that Congress will appropriate the level of funds needed if it is not confident of adequate oversight of those funds, and we will do everything we can to provide that oversight.

Turning back to the power sector—this is the single most important building block of recovery, long and short term. Electricity is the key. Without it, we will

not have functioning classrooms or businesses. Without it, we will not have truly safe and livable neighborhoods and homes. Without it, we will not even have a working water system—because it too depends on the restoration of power.

Similarly, we will not succeed in achieving a long-term, sustainable economy for the island unless we create a reliable, affordable, sustainable power system. PREPA's history and the system's decrepit condition, poor service and high rates before the hurricane evidence that fundamental change is needed.

The Board, working with the Governor and PREPA, intends to require transformation of PREPA in its revised Fiscal Plan. That plan is scheduled for certification by the Board in the first days of February. That revised Fiscal Plan needs to chart a path to provide stable, reliable and cost-effective power via a grid that incorporates best practices, private capital, and acts as a catalyst for sustainable economic growth. And all of this must then be reflected and confirmed in a plan of adjustment proposed by the Board that also brings to an end the debt restructuring and ensures the future path of PREPA serves Puerto Rico well.

I commit that the process of revising the PREPA Fiscal Plan will be open and transparent and that it welcomes the insight from a broad array of experts. We have already scheduled several stakeholder listening sessions, and we of course welcome input from the Committee, those testifying here today, and all others with good ideas.

Again, Madame Chairman, Ranking Member, and members of the Committee, thank-you for the opportunity to testify today, and I look forward to the Committee's questions.