

U.S. House of Representatives
Committee on Natural Resources
Washington, DC 20515

January 26, 2023

Mr. Robert F. Mujica, Jr.
Executive Director
Financial Oversight and Management Board for Puerto Rico
P.O. Box 192018
San Juan, PR 00919-2018

Dear Mr. Mujica,

Congratulations on your recent appointment as the Executive Director of the Financial Oversight and Management Board for Puerto Rico (“Oversight Board”). As the Ranking Democrat on the U.S. House Committee on Natural Resources, I am committed to working with you and the Oversight Board to ensure Puerto Rico’s public debt is restructured to sustainable levels as soon as possible. I am writing with some questions related to the Oversight Board’s purview.

According to the Puerto Rico Oversight, Management, and Economic Stability Act (PROMESA), the Oversight Board will be terminated once the Government of Puerto Rico has adequate access to credit markets at reasonable interest rates and has achieved for at least four consecutive years balanced budgets in accordance with modified accrual accounting standards.¹ However, six years after PROMESA became law and the Oversight Board was established, the people of Puerto Rico and Members of the Committee still have questions about the Oversight Board’s interpretation of the criteria that certifies the requirements for termination of the Oversight Board have been met.

The people of Puerto Rico and Congress deserve to better understand how these requirements will be satisfied and the progress that has been made to return control back into the hands of Puerto Rico’s elected government officials. I respectfully request your assistance in answering the following questions.

1. Does the Oversight Board interpret Section 209 of PROMESA to allow the Board to consider its own degree of intervention in the development of Puerto Rico’s budget when determining whether the territorial government has the ability to balance its budget? If so, to what extent is its intervention considered to satisfy the balanced budget criteria in Section 209?
2. Are audited financial statements required to meet the criteria?

¹ Section 209 of the *Puerto Rico Oversight, Management, and Economic Stability Act*.

3. What progress has been made toward meeting the criteria set out in Section 209? Which requirements have and have not been met?
 - a. As of the date of this request, how many balanced budgets have been developed in accordance with modified accrual accounting standards since PROMESA became law in 2016?
 - b. Please provide justifications for determinations that previous budgets were determined to *not* be balanced in accordance with Section 209 of PROMESA.

In addition, the Oversight Board has played a key role in the privatization of the Puerto Rico Electric Power Authority's (PREPA) generation, transmission, and distribution operations. In 2021, in hopes that a private company would address historically abysmal service and high electricity bills, the Government of Puerto Rico awarded a contract to LUMA Energy for the management and operation of PREPA's transmission and distribution systems. However, the transition was chaotic, and for several months LUMA failed to meet its own performance benchmarks. The duration of outages continues to be worse under LUMA's management than PREPA's. LUMA's failure to hire sufficient numbers of lineworkers is at least a partial explanation for the poor performance. Now that the Government of Puerto Rico is completing the privatization of PREPA's power generation operations, it is imperative that the omission of sufficient disincentives for poor performance in the LUMA contract is not repeated. Please answer the following questions regarding PREPA's privatization of its aging generation assets.

4. Does the Oversight Board consider LUMA's management of the transmission and distribution system a success?
5. Does the Oversight Board believe that the terms of LUMA Energy's Operation and Management Agreement were sufficient to disincentivize poor performance? If so, how does the Oversight Board explain LUMA's poor performance?
6. What lessons, if any, does the Oversight Board take from LUMA's management of the transmission and distribution system since it took over on June 1, 2021? How will it apply those lessons when considering approval of the GenCo-HydroCo contract?

Thank you in advance for your prompt responses to these inquiries. Please provide your responses digitally to Margarita Varela-Rosa at Margarita.Varela-Rosa@mail.house.gov.

Sincerely,



Raúl M. Grijalva
Member of Congress
Ranking Democrat, U.S. House Committee on Natural Resources