



**Written Testimony of Ángel R. Figueroa Jaramillo  
Before the House Natural Resources Committee  
"The Rebuilding and Privatization of the Puerto Rico Electric Power Authority  
(PREPA)"  
April 9, 2019**

---

Honorable Chairman Grijalva and members of the House Natural Resources Committee, thank you for the opportunity to testify today. My name is Ángel R. Figueroa Jaramillo, president of the Union of Electric and Irrigation Industry Workers (Unión de Trabajadores de la Industria Eléctrica y Riego, UTIER). I am here representing the more than 3,200 men and women who work in power generation, transmission and customer service in Puerto Rico's premier state-owned industry, the Puerto Rico Electric Power Authority (PREPA). As a public corporation, PREPA provides electric and irrigation service to 1.5 million customers, making it the largest public corporation of this type within the United States.

We are here at your invitation to present testimony at this public oversight hearing on "The Rebuilding and Privatization of the Puerto Rico Electric Authority (PREPA)."

To talk of rebuilding requires examining, first of all, what it is that we hope to rebuild. In the case of PREPA, we are speaking of a state-owned company created by the government of Puerto Rico at a time when the island was beginning to industrialize. Puerto Rico was transformed from an agriculture-based economy to an industrial model based on manufacturing. Placing the generation, transmission, distribution and sale of electricity under state ownership underwrote a broad program to meet the economic development needs of Puerto Rico. Decades of economic and technological investment created in Puerto Rico one of the most efficient and integrated electrical systems of any U.S. jurisdiction.

After the devastation caused by Hurricane Maria in Puerto Rico – which left the island without electrical service for many long months, in some places approximately a year, and which destroyed 85% of the more than 36,000 miles of aboveground and underground transmission and distribution lines, not counting the tens of billions of dollars in damages to other public and private infrastructure

in Puerto Rico – the reconstruction of the electrical system has become a fundamental factor in our viability as a people.

In terms of physical devastation, the only natural disaster comparable to Hurricane Maria in our history as a U.S. territory was Hurricane San Felipe in 1928. Just a few years later, the impact of Hurricane San Ciprian in 1932 added to the desolation left behind by this hurricane. Then, as today, there was a response by the U.S. government. During those years the economic crisis unleashed in the United States in 1929 was also impacting Puerto Rico. The measures adopted by Congress promoted the program known as the Chadron Plan in Puerto Rico, while the United States also passed the Puerto Rico Emergency Relief Act (PRERA) and established the Puerto Rico Reconstruction Administration (PRRA). These programs together, bolstered by the vision of the Roosevelt Administration's "New Deal," created a new context for the identification of urgent economic needs and responses for Puerto Rico, as well as a step towards a reformulation of the process for economic recovery in Puerto Rico. A key piece in this recovery was the state's intervention in the development of an effective electrical system that would serve as the foundation for the development of a broad program of industrialization and that would, of course, guarantee the population gradual access to electrical service. All under a public model.

As a union, we believe in the principle that access to electricity at the lowest possible cost is a fundamental human right. As such, it should be guaranteed by the state to all social classes. We also believe that, the best manner of ensuring this right – especially given our reality as an island in process of development and as a society that, although within U.S. jurisdiction, constitutes a different nationality with unique characteristics distinguishing us from citizens of the continental United States and given our unique system of power generation, transmission and sale – is to maintain this electrical service as a public good owned by the state. The guarantee of fundamental human rights like electricity, water, health, and education, among others, cannot be subject to the law of supply and demand, nor to the principles of profit and private accumulation. For this reason, we have defended PREPA as an asset of the Puerto Rican people that should remain in the hands of the state.

PREPA certainly must be reformed in order to modernize its technology, to improve its infrastructure, to integrate the use of clean, renewable energy, to reduce generation costs, and to improve administrative efficiency. However, the mere transfer of its assets to the private sector will not by itself guarantee these changes. Similarly, we can affirm that nothing prevents maintaining PREPA as a

public asset and incorporating such changes and transformations in its governance, operations and provision of service to the public.

It is extremely important to highlight that PREPA was one of the most successful public corporations in all of the United States and Latin America. It was a model of modernization, efficiency and energy security. What happened? The enthusiasm for privatization intentionally brought it to the state it is in today: a corporation in bankruptcy, a debt that doubled between 2009 and 2012, a physical system completely abandoned and labor conditions that have led to massive retirement and unprecedented resignations as workers move to the United States in search of better work conditions.

Today it is intended for this Congress to provide billions of dollars to rebuild an electrical system without an integrated resource plan, without a plan for economic development and without a true energy vision, all for the sole purpose of allowing private interests to profit from federal funds while holding the public hostage.

Attached to this testimony, we include a copy of the April 27, 2018 study written by Dr. José I. Alameda-Lozada and Dr. Alfredo González-Martínez, entitled *Analysis of the Socioeconomic Impact of Senate Bill 860 and House Bill 1481: Transformation of the Puerto Rico Electrical System (Análisis del Impacto Socioeconómico del Proyecto del Senado 860 y de la C de R 1481: Transformación del Sistema Eléctrico de Puerto Rico)* and a summary Powerpoint presentation, together with the report of energy analyst Cathy Kunkel and director of finance Tom Sanzillo of the Institute for Energy Economics and Financial Analysis, entitled *PREPA Privatization Will Hurt Consumers and Slow Economic Recovery: Plan Will Raise Rates While Missing Opportunity to Transition to Renewables*. We ask that they be included as part of our official record before this committee. Likewise, we ask that the documents that we provided on March 13, 2019 to the distinguished chairman of this committee entitled *Cost of PREPA Workers v. Contractors* and *Example of Contracts for Tree Trimming Operations* be included as well.

On June 20, 2018, the Puerto Rico legislature approved Law 120, the Law for the Transformation of the Puerto Rico Electrical System. The law seeks to streamline the process for establishing public-private partnerships (PPP) related to operational functions of PREPA, whether service provision or physical plants, and the mechanisms for the sale of electric generation and transmission system assets. The law was approved without any study demonstrating the benefit of

privatization. In fact, the law eliminates the requirement of desirability and convenience studies for these transactions. It should be noted that the energy policy recently approved by the Puerto Rico legislature (P.S. 1121) is no "Green New Deal" as it has been billed in the United States. I would summarize the bill as: aspirational renewable goals (RPS) and non-binding "green" language masking the law's real objective/result which will be the use of federal funds to convert, through private long-term contracts, all existing and new generation to operate with natural gas. This will crowd out renewable generation and maintain our dependency on fossil fuels for decades. The legislation is full of poison pills and contradictions. The only clear objectives set are to privatize PREPA and deploy natural gas generation (PREPA is already moving on the natural gas conversion front in San Juan units 5 and 6). And it must be noted that the privatization deals will be undertaken through an obscure process lacking transparency, cost-benefit analysis or any real utility transformation (fuel purchase, contracting, political interference, etc). Federal funds will be used to subsidize the privatization, not to meet the needs and best interest of the Puerto Rican people.

It is important to emphasize the irresponsibility of enacting an energy policy without previously establishing an economic development plan for the coming decades. In our judgement, such a plan should have established an energy policy, including an evaluation of the PREPA infrastructure to build and to modernize, as well as the curriculum for universities and vocational schools to meet the future needs of the economic development plan. We also question the decisions that have been taken by PREPA executives, such as proposals for the conversion of power plants to natural gas and the privatization of areas, such as customer service, that were not contemplated by Law 120-2018. There is a need for an independent regulator and not a PREPA Board of Directors captured by partisan politics; for the adoption of a new model of governance, with participation and oversight through locally elected citizen committees; for citizen participation via voting on any asset sale processes; for attracting a qualified and experienced workforce; for the re-instatement of labor rights that have been frozen or eliminated in recent years, including collective bargaining; as well as the implementation of other recommendations, some of which were made in the Kobre & Kim report (the report of the Financial Oversight and Management Board's independent investigator), which we also ask be included in the record.

To ensure that reforms are implemented, UTIER has filed a motion in PREPA's bankruptcy case advocating for the appointment of an independent private sector inspector general (IPSIG) for PREPA. An IPSIG is an independent monitor that would be focused on correcting problems of waste, fraud and abuse that

impede PREPA from carrying out its mission. The appointment of an IPSIG for PREPA would enable the federal government and other stakeholders to have confidence that PREPA's decisions will be driven by principles of sound utility management, not political interference.

The people of Puerto Rico need the federal resources directed to PREPA for reconstruction to be used to provide greater security for our communities, and there is a clear way to achieve this. The development of solar communities with active participation of residents is the path that offers most resiliency for our people. However, this is a strategy that, although obvious, is absent in government plans. All of the efforts to date for the development of solar communities have come from philanthropic entities or from community action.

The reconstruction of Puerto Rico's electrical system is imperative for the island's recovery. But we have to ensure that this reconstruction better prepares us to weather future severe storms and economic challenges.

Honorable chairman and members of the committee, in Puerto Rico we have a saying, which possibly is also found in other Spanish-speaking cultures, which tells us that "a patient's sickness is not to be found in the bedsheet." We all want to eliminate the sickness. But those who promote privatization are looking in the sheet, we want to locate it in the patient.

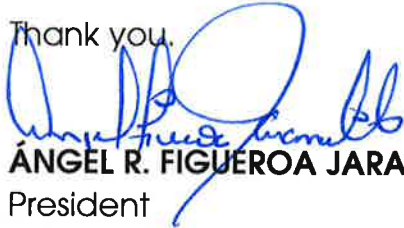
We ask the committee that federal funds not be allocated until procedures and mechanisms are established that guarantee the transparent and proper use of such funds, such as the establishment of an IPSIG for PREPA. There needs to be an economic development plan in order to have a vision of our energy future. For this, the workers are willing to work together and seek consensus with the committee.

We are a society and a people that, after more than 100 years of political relationship with the United States, in economic terms lives with a consolidated public debt (central government, public corporations, municipalities and pension systems) of more than \$167.8 billion; a private debt of over \$50 billion; with 75% of our population surviving on less than \$14,340 of annual income; with a poverty rate that exceeds 45% of the population, of which 45.1% of residents and 41% of families live with \$6,948 of annual income; where more than 171,000 families (476,081 people) live in communities marked by poverty; and where, of those among the general population who are working, more than 32% (300,000 workers) live on only the equivalent of the federal minimum wage, which represents an

Written Testimony of UTIER before the  
U.S. House Natural Resources Committee

annual income of \$15,080, when the poverty level is measured at \$11,914 annually, or a difference of just \$263.83 per month. **Certainly, the criteria for assessing Puerto Rico are not and cannot be the same as those of the United States. Here in Puerto Rico the state still has much to do from the point of view of intervention in the economy, one of which is to guarantee access to electricity to all citizens through the public ownership model.**

Thank you.



**ÁNGEL R. FIGUEROA JARAMILLO**

President

UTIER State Council