

Summary of the National Resources Committee Hearing about Puerto Rico's Recovery

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The U. S. House of Representatives Committee on Natural Resources held a hearing yesterday entitled ***Examining Challenges in Puerto Rico's Recovery and the Role of the Financial Oversight and Management Board***. The witnesses were Ms. Natalie Jaresko, Executive Director of the Oversight Board, Mr. Noel Zamot, Revitization Coordinator for the Oversight Board, and the Honorable Angel Perez Otero, Mayor of Guaynabo.

The hearing focused on the Oversight Board's role in the recovery of Puerto Rico from Hurricanes Irma and Maria, aiming to assess the Oversight Board's actions in response to the hurricanes and whether the Oversight Board needs additional powers to assist in a successful recovery, and the ability of local entities to ensure transparency and accountability in the use of Federal resources.

Prior to the hearing, the Committee released its hearing memorandum, stating: "billions of Federal dollars have been and will be authorized in the coming months for the recovery and reconstruction of Puerto Rico. With such an influx of Federal resources, the likelihood of fraud, waste, and abuse increases. Thus, oversight must occur to ensure the integrity of contracts, and resources, such as food and water, are reaching those in need." Regarding the lack of electric power, Chairman Bishop noted in his opening statement "restoring the power grid is paramount to immediate emergency needs. Long-term energy transformation is equally important. Transparent accountability at PREPA, now and moving forward, is essential for both to succeed."

Natalie Jaresko testified about the efforts of the Oversight Board to address the humanitarian crisis unfolding on the island, highlighting the Board's initiative to provide the Governor with the authority to reallocate up to \$1 billion of the Commonwealth's budget for relief efforts. She noted, however, that "without unprecedented levels of help from the United States government, the recovery we were planning for will fail." She further testified that the Oversight Board will be revising the fiscal plans to account for the new realities, but "not lose sight of [the Oversight Board's] charge to restore Puerto Rico to long-term financial health."

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As the Oversight Board seeks to revise the fiscal plans, Ms. Jaresko testified that the Oversight Board will hold listening sessions with all of the stakeholders, who are invited to provide input to the fiscal plans. Each listening session will be a full day in duration. Two will be held in Puerto Rico. One will be held in New York City. The Oversight Board will also hold two listening sessions with the creditor stakeholders through the court-appointed mediators. As to the timing, Ms. Jaresko testified:

The deadline for the Commonwealth, PREPA, and PRASA to submit draft Fiscal Plans to the Board is December 22, 2017, with review and revision ongoing through the goal certification date of February 2, 2018. The deadline for the University of Puerto Rico, HTA, GDB, and COSSEC to submit draft Fiscal Plans to the Board is February 9, 2018 with review and revision ongoing through the goal certification date of March 16, 2018.

Ms. Jaresko also testified about the Oversight Board's contracts review policy, which requires Oversight Board approval for contracts valued at \$10 million or more. The Oversight Board also retains the right to review any contract to determine if the contract promotes market competition and is not inconsistent with the fiscal plan.

Ms. Jaresko further testified that the Oversight Board had the authority to appoint a Chief Transformation Officer for PREPA and has filed a motion with the Title III court for approval. The hearing date for that motion is scheduled for November 13, 2017. When questioned about the Oversight Board's appointment, Ms. Jaresko said that Congressional clarification and ratification of the Oversight Board's authority "may will be critical" in resolving what otherwise will be litigated in the courts by those that oppose the appointment.

Next to testify was Mr. Noel Zamot, the Revitalization Coordinator for the Oversight Board, stating that his role "is to accelerate the Island's economic recovery by bringing private capital to address infrastructure challenges, in order to create jobs and set the conditions for growth." Mr. Zamot testified that his appointment as Chief Transformation Officer (CTO) for PREPA has yet to be confirmed by the Title III court, so that his discussion of such a role is provisional. The position of CTO is essential to bring about "dramatic action that creates a fast-moving, depoliticized entity driven by a compelling vision of an efficient, durable, sustainable and affordable power sector for the island."

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In his role as CTO, Mr. Zamot proposes “establishing a straightforward, clear chain of authority, with well-defined roles and responsibilities that track with the overall objective and with strategic priorities. . .we must prioritize speed – with discipline, transparency and integrity – over endless analysis.” He concluded his testimony by saying “Our goal or ‘end state’ is to provide stable, reliable, and cost-effective power via a grid that incorporates best practices, in order to act as a catalyst for sustainable economic growth.” It should be noted that the appointment of a CTO is hotly contested by various groups in the Title III proceeding, including bondholders, other creditors, and the Commonwealth government.

Documents related to the hearing can be viewed on the Committee’s website.

The next related hearing is scheduled for November 14, 2017 at 2:00 pm EST, and is entitled *The Need for Transparent Financial Accountability in Territories’ Disaster Recovery*. Puerto Rico Governor Ricardo Rossello and U.S. Virgin Islands Governor Kenneth E. Mapp are expected to testify.

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