



The Hon. Pedro R. Pierluisi
Opening Statement
“Exploring Energy Challenges and Opportunities Facing Puerto Rico”
Subcommittee on Energy and Mineral Resources, House Committee on Natural Resources
January 12, 2016

Thank you, Chairman Lamborn. I ask unanimous consent that my longer statement be included in the record.

This is the sixth hearing on Puerto Rico in the 114th Congress. While Congress has debated this matter, the situation has gone from bad to worse. In 2015, migration from Puerto Rico to the states was the highest in modern history. The territory government has been unable to provide tax refunds, pay contractors, and make pension contributions. Two public entities missed payments to bondholders, leading to a lawsuit by bond insurers. There will likely be larger defaults—and more lawsuits—later this year. I don’t know which stakeholders think they will benefit from this situation, but I know it won’t be my constituents or the vast majority of Puerto Rico’s creditors.

The crisis in Puerto Rico is the joint responsibility of the Puerto Rico government, whose policies and practices have often been irresponsible, *and* the federal government, whose policies towards Puerto Rico have been inequitable. As a territory, Puerto Rico lacks democracy, justice and power. This undignified status must be discarded.

If these hearings are merely a forum for Congress to criticize the Puerto Rico government, while disregarding its own contribution to the crisis, this is not a constructive exercise. My constituents are hurting, and they are seeking a hand-up, not a hand-out. Congress should empower them, not reprimand them.

Although it is not the subject of this hearing, Congress should enact legislation that authorizes Puerto Rico to restructure some of its debt—as every state is authorized to do—and that provides Puerto Rico with better treatment under federal programs. I would support the creation of a board to help the Puerto Rico government improve its fiscal practices, but only if Congress provides Puerto Rico with reasonable tools and more equitable treatment.

Of course, the high cost of electricity for households and businesses in Puerto Rico hampers economic growth and spurs migration, so the legislation could include provisions to make power more affordable in the territory.

For example:

- Congress has enacted a law requiring the Secretary of the Interior to appoint a team of experts to develop an “energy action plan” for Puerto Rico, but Interior claims it does not have the funding to proceed. Congress should reassign responsibility for the plan to the Department of Energy, and ensure it is swiftly prepared.
- Congress should treat Puerto Rico equally under LIHEAP, which helps households pay their electric bills. I persuaded the federal government to take administrative steps to increase Puerto Rico’s LIHEAP funding from \$4 million to \$15 million dollars a year, but state-like treatment could translate into \$24 million dollars a year.
- Federal tax credits to encourage households to install renewable energy technology do not benefit Puerto Rico. Congress should authorize the Puerto Rico government to offer the credits through its local tax system, with the federal government reimbursing the territory government for the lost revenue.
- Congress has authorized—but never funded—two territory-specific grant programs to help Puerto Rico reduce its dependence on foreign oil and improve its electricity distribution system. Congress should appropriate money for these programs.
- Congress should enact my legislation to increase the number of ships qualified to transport LNG from the states to Puerto Rico, and require DOE to prepare a report on the prospect of the territory becoming a hub for the distribution of American-produced energy in the Caribbean region.

Meanwhile, on the Puerto Rico level:

- Operations at PREPA require fundamental reform. After becoming PREPA’s chief restructuring officer in 2014, Ms. Donahue observed that PREPA was “far behind the industry in virtually every respect.” I will ask her for a progress report.
- PREPA must diversify its fuel supply, reducing reliance on petroleum and boosting use of natural gas and renewable energy.
- The private sector should have a larger role in developing Puerto Rico’s energy system. PREPA currently purchases electricity generated by two companies, and additional public-private partnerships could benefit consumers.

Finally, I will ask Ms. Donahue about the debt restructuring agreement PREPA signed with 70 percent of its bond-holders, now pending before the Puerto Rico legislature. As Ms. Donahue notes, it took PREPA over 15 months to negotiate the agreement “because PREPA lacks access to an orderly debt restructuring process” like Chapter 9. The burden is on the government of Puerto Rico to make the case that this agreement is in the best interests of the American citizens of Puerto Rico.

Thank you.