

# U.S. House of Representatives

## Committee on Natural Resources

Washington, DC 20515

March 12, 2018

Mr. Justo González  
Interim Executive Director  
Puerto Rico Electric Power Authority  
1110 Ave. Ponce De Leon  
San Juan, PR 00907-3802

Dear Mr. González:

As of March 7, 2018, approximately 155,695 Puerto Ricans remain without power after Hurricanes Maria and Irma struck the island.<sup>1</sup> As part of its on-going oversight of Puerto Rico's recovery,<sup>2</sup> the House Committee on Natural Resources is reviewing multiple allegations of corruption and gross mismanagement in the power restoration process made against the Puerto Rico Electric Power Authority (PREPA). Much of the reported corruption concerns PREPA officials accepting or demanding bribes to restore power to residences and businesses.<sup>3</sup>

In one alleged incident, PREPA officials were reportedly paid \$5,000 and provided free entry tickets, valued at \$1,000 apiece, to restore power to San Juan area exotic dance clubs ahead of the scheduled restoration timeline.<sup>4</sup> There are also allegations that PREPA restored power to their own homes and other areas before restoring power to critical locations such as San Juan's Rio Piedras Medical Center and the Luis Muñoz Marín International Airport.<sup>5</sup> In addition to betraying the public's trust, improper, out-of-sequence power restoration has been associated with at least two fires and complicates scheduled power restoration operations.<sup>6</sup>

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<sup>1</sup> Hurricanes Maria & Irma: March 7, 2018 Event Summary, Report #94, 2, U.S. DEP'T. OF ENERGY, INFRASTRUCTURE SECURITY & ENERGY RESTORATION (Mar. 7, 2018) available at <https://www.energy.gov/sites/prod/files/2018/02/f49/Hurricanes%20Maria%20and%20Irma%20Event%20Summary%20February%2028%2C%202018.pdf>.

<sup>2</sup> Letter from Hon. Rob Bishop, Chairman, H. Comm. on Natural Resources, and Hon. Bruce Westerman, Chairman, Subcomm. on Oversight & Investigations, to Ricardo Ramos, Executive Director, Puerto Rico Electric Power Authority (Oct. 26, 2017) available at [https://naturalresources.house.gov/uploadedfiles/2017-10-26\\_bishop\\_westerman\\_to\\_ramos\\_prepa\\_re\\_emsa.pdf](https://naturalresources.house.gov/uploadedfiles/2017-10-26_bishop_westerman_to_ramos_prepa_re_emsa.pdf),

<sup>3</sup> Nsikan Akpan & Monica Villamizar, *Puerto Rico Energy Authority Investigates Dozens of post-Maria Bribery Cases*, PBS NEWS HOUR (Jan. 14, 2018) available at <https://www.pbs.org/newshour/nation/puerto-rico-energy-authority-investigates-dozens-of-post-maria-bribery-cases>.

<sup>4</sup> Yaritza Rivera Clemente, *Destapan Irregularidades al Energizer [Irregularities Uncovered in Power Restoration]*, EL VOCERO (Feb. 26, 2018) available at [https://www.elvocero.com/gobierno/destapan-irregularidades-al-energizar/article\\_81dbdba0-1a9a-11e8-8222-8bddcefd4ae9.html](https://www.elvocero.com/gobierno/destapan-irregularidades-al-energizar/article_81dbdba0-1a9a-11e8-8222-8bddcefd4ae9.html).

<sup>5</sup> *Id.*

<sup>6</sup> *Id.*

A member of the Committee has heard from constituents currently working to restore power in Puerto Rico under mutual aid agreements, that utility crews are delayed or unable to complete electrification projects because of a lack of materials from PREPA.<sup>7</sup> Similarly, the U.S. Army Corp of Engineers (USACE) identified material and equipment shortages as the biggest challenges to restoring electricity on the island.<sup>8</sup> There have also been media reports that utility crews are frequently idle due to a lack of materials.<sup>9</sup> For example, one municipal official estimated that “fifty percent of their time was lost,” because PREPA did not have the necessary materials available.<sup>10</sup>

The Committee has been reviewing the circumstances surrounding a January 6, 2018 raid by the USACE and the Federal Emergency Management Agency (FEMA) on a PREPA owned warehouse.<sup>11</sup> Located near PREPA’s Palo Seco Power Station, “Warehouse 5” contained “critical material” for electrification projects that PREPA allegedly failed to distribute.<sup>12</sup> The USACE stated that Warehouse 5 was missing from PREPA’s computer inventories<sup>13</sup> and that repeated requests to PREPA for specific information on Warehouse 5 went unanswered.<sup>14</sup> After inventorying the Warehouse’s contents, USACE distributed the materials to contractors, including steel sleeves essential for rebuilding powerlines.<sup>15</sup>

PREPA’s explanations for Warehouse 5 and its inventory have been contradictory and, frankly, inadequate. Immediately after the raid, PREPA claimed that the Warehouse contained materials used for past infrastructure projects, outdated surplus supplies, and recycled parts, all of which was inadvertently overlooked during the recovery.<sup>16</sup> Following the USACE’s distribution of the Warehouse’s inventory, PREPA’s account changed. PREPA officials then claimed that the USACE was aware of Warehouse 5 and that the materials in the Warehouse were intended for current, not past, infrastructure projects and were not suitable for general power restoration operations.<sup>17</sup>

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<sup>7</sup> H. Natural Resources Comm., Subcomm. on Oversight & Investigation staff discussions with Office of Rep. Doug LaMalfa (Feb. – Mar. 2018).

<sup>8</sup> Nicole Acevedo, *Why does Restoring full Power in Puerto Rico seem like a Never-Ending Task?*, NBC NEWS (Feb. 19, 2018) available at <https://www.nbcnews.com/storyline/puerto-rico-crisis/why-does-restoring-full-power-puerto-rico-seem-never-ending-n847211>.

<sup>9</sup> *Id.*; see also David Ferris, *How Shortages are Worsening Puerto Rico’s Blackout*, E&E NEWS: ENERGY WIRE (Feb. 26, 2018) available at <https://www.eenews.net/stories/1060074713>.

<sup>10</sup> Ferris, *supra* note 9.

<sup>11</sup> Danica Coto, *More Equipment, Crews Head to Puerto Rico for Power Boost*, ASSOCIATED PRESS (Jan. 9, 2018) available at <https://apnews.com/1ccde02ad9de439eb2bc58f62f7baaff>; see also

<sup>12</sup> Akpan & Villamizar, *supra* note 3.

<sup>13</sup> *Id.*

<sup>14</sup> Alex Figueroa Cancel, *PREPA “Warehouse 5” was No Secret*, EL NUEVO DÍA (Jan. 16, 2018) available at <https://www.elnuevodia.com/english/english/nota/prepawarehouse5wasnosecret-2390311>.

<sup>15</sup> Adrian Florido & Marisa Peñaloza, *Puerto Rico Governor Asks DOJ to Investigate Island’s Public Power Utility*, NPR NEWS (Jan. 11, 2018) available at <https://www.npr.org/2018/01/11/577439244/puerto-rico-governor-asks-doj-to-investigate-island-s-public-power-utility>

<sup>16</sup> Akpan & Villamizar, *supra* note 3.

<sup>17</sup> Cancel, *supra* note 14.

These latest allegations of corruption and mismanagement raise serious questions regarding PREPA's internal controls and ability to competently manage power restoration in Puerto Rico. Billions of taxpayer dollars are pledged to help Puerto Rico, but a lack of faith in Puerto Rico's institutions remains a major barrier to recovery.<sup>18</sup>

The Committee seeks to better understand the scope of alleged corruption in PREPA's power restoration operations and to understand how PREPA failed to account for Warehouse 5. Therefore, to assist the Committee's oversight of Puerto Rico's recovery efforts, please provide the following documents and information to the Committee as soon as possible, but no later than 5:00 p.m. on March 26, 2018:

1. Documents sufficient to show all open PREPA investigations into allegations of corruption, favoritism, or abuse of authority by PREPA employees, officials, or contractors;
2. Documents sufficient to show PREPA's policies and procedures for investigating allegations of corruption, favoritism, or abuse of authority by PREPA employees, officials, or contractors;
3. Documents sufficient to show the contents of PREPA's "Warehouse 5" located in the Palo Seco neighborhood of San Juan from September 20, 2017 to the present;
4. All documents and communications referring to or relating to PREPA's "Warehouse 5" or any materials stored within the Warehouse, since September 20, 2017;
5. The January 31, 2018 Puerto Rico Department of Justice report on the PREPA Warehouse 5 investigation; and
6. Document sufficient to show PREPA's policies and procedures for inventorying, warehousing, tracking, and distributing equipment needed for power restoration and electrical grid construction.

In addition, please preserve all records, documents, data, and communications of any kind, regardless of format, that relate to or refer to Warehouse 5 and any allegations that PREPA employees, officials, or contractors demanded or received bribes, gifts, or improper consideration of any kind in exchange for restoring power to businesses, residences, or government agencies and municipalities since August 30, 2017.

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<sup>18</sup> Kathya Severino, *How Latest Federal Appropriations for Disaster Relief Help Puerto Rico*, CENTRO: CENTER FOR PUERTO RICAN STUDIES, THE CITY UNIVERSITY OF NEW YORK (Feb. 15, 2018) available at <https://centropr.hunter.cuny.edu/events-news/puerto-rico-news/congress/how-latest-federal-appropriations-disaster-relief-help-puerto>.

Further, please confirm in writing that PREPA has produced all relevant documents responsive to the Committee's October 26, 2017 letter.<sup>19</sup>

Please deliver your response to room 1324 of the Longworth House Office Building. The Committee prefers if possible, to receive your response in electronic format. An attachment contains additional instructions for responding to the Committee's request.

Please contact John Strom and Melissa Beaumont of the Oversight and Investigations Subcommittee staff at (202) 225-7107 with any questions about this request. Thank you for your prompt attention to this matter.

Sincerely,



Rob Bishop  
Chairman  
Committee on Natural Resources



Bruce Westerman  
Chairman  
Subcommittee on  
Oversight and Investigations



Doug LaMalfa  
Chairman  
Subcommittee on Indian,  
Insular and Alaska Native Affairs

Enclosure

cc: Lieutenant General Todd Semonite, U.S. Army, U.S. Army Corps of Engineers

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<sup>19</sup> Letter, *supra* note 2.