



July 22, 2019

Ms. Teri L. Donaldson  
Inspector General, Department of Energy  
1000 Independence Avenue, SW  
Mail Stop 5D-031 Washington, DC 20585  
ighotline@hq.doe.gov

Re: Oversight Palo Seco project

Dear Ms. Donaldson,

We write to urge an investigation into the use of federal funds for a power plant project in Puerto Rico in light of the current scandals there, including corruption in contracting.

Recently, the Puerto Rico Public-Private Partnerships Authority issued a request for qualifications for the construction of a 300 MW natural gas-fired power plant in the San Juan metropolitan area. The RFQ does not explicitly mention any federal involvement in the project, but [elsewhere](#) Jose Ortiz, executive director of the Puerto Rico Electric Power Authority (PREPA), has stated his intention for the project to be constructed with federal funds: "The first phase would be covered with mitigation funds under Section 404 of the Robert T. Stafford Disaster Relief and Emergency Assistance Act. Meanwhile, the second phase would be covered with funds from the Community Development Block Grant - Disaster Relief (CDBG-DR) program." Additionally, there have [reportedly](#) been conversations between PREPA and representatives of the federal Department of Energy on the construction of this project.

The announcement of this contracting process comes at exactly the moment that Puerto Rico is being rocked by a series of contracting and governance scandals.

On July 9th, the managing partner of BDO, the corporation that in the last 2 years has had \$2.6 million in contracts with PREPA to provide financial consulting and auditing services, was arrested and charged with wire fraud, conspiracy and money laundering. BDO audited PREPA's FY 2016 financial statements, which were not released until December 2018. The representations in the financial statement form the core of PREPA's case to restore market and public confidence in its operations. For FY 2019, BDO was contracted with PREPA to prepare monthly financial reports, analyze PREPA's budgeting and accounts system, draft budget and accounting reports, and other tasks. These accounting tasks are critical to the accurate presentation of PREPA's financial position, which underlies the representations

made to the Financial Oversight and Management Board for Puerto Rico and bidders in PREPA's privatization process, as well as federal agencies.

Additionally, the 889 pages of chat messages between Governor Ricardo Rosselló and his advisors recently disseminated publicly point to possible corruption in the process for the concession contract for PREPA's transmission and distribution system. The chat suggests a pay-to-play system of using the contract process for campaign contributions.

Now is not the time for the government of Puerto Rico to be announcing major new contracting processes. Indeed, the scandals call into question the integrity of every major contract that has been issued under the Rosselló administration.

Under these circumstances, we urge the inspector general to investigate any commitments that have been made for the use of federal funds for the Palo Seco project, as well as the process under which this private contract will be awarded.

Sincerely,

A handwritten signature in black ink, appearing to read "Tom Sanzillo".

Tom Sanzillo  
Director of Finance  
Institute for Energy Economics and Financial Analysis

A handwritten signature in black ink, appearing to read "Cathy Kunkel".

Cathy Kunkel  
Energy Analyst  
Institute for Energy Economics and Financial Analysis

cc:

Jennifer Costello, Acting Inspector General, Department of Homeland Security/FEMA  
Brian Nysenbaum, Acting Assistant Inspector General, U.S. Department of Housing and Urban Development, OSI



July 22, 2019

Ms. Jennifer L. Costello  
Acting Inspector General  
Office of Inspector General/MAIL STOP 0305  
U.S. Department of Homeland Security/FEMA  
245 Murray Lane SW  
Washington, DC 20528-0305  
dhs-oig.officepublicaffairs@oig.dhs.gov

Re: Oversight Palo Seco project

Dear Ms. Costello,

We write to urge an investigation into the use of federal funds for a power plant project in Puerto Rico in light of the current scandals there, including corruption in contracting.

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Sincerely,



Tom Sanzillo  
Director of Finance  
Institute for Energy Economics and Financial Analysis



Cathy Kunkel  
Energy Analyst  
Institute for Energy Economics and Financial Analysis

cc:

Teri Donaldson, Inspector General, U.S. Department of Energy  
Brian Nysenbaum, Acting Assistant Inspector General, U.S. Department of Housing and Urban Development, OSI



July 22, 2019

Mr. Brian Nysenbaum  
Acting Assistant Inspector General  
U.S. Department of Housing and Urban Development  
Oficina de Investigación Especial (OSI)  
Torre Chardon, Room 205  
Field Office  
350 Carlos Chardon Avenue  
San Juan, PR 00918

Re: Oversight Palo Seco project

Dear Mr. Nysenbaum,

We write to urge an investigation into the use of federal funds for a power plant project in Puerto Rico in light of the current scandals there, including corruption in contracting.

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Under these circumstances, we urge the acting assistant inspector general to investigate any commitments that have been made for the use of federal funds for the Palo Seco project, as well as the process under which this private contract will be awarded.

Sincerely,



Tom Sanzillo  
Director of Finance  
Institute for Energy Economics and Financial Analysis



Cathy Kunkel  
Energy Analyst  
Institute for Energy Economics and Financial Analysis

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Teri Donaldson, Inspector General, U.S. Department of Energy  
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