

ECONOMY

What were utilities
'prepared' for?

THINK STRATEGICALLY:

Eight Days, Seven Nights: Puerto Rico's Total Blackout

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Eight days and seven nights would usually make for a great vacation, a trip or a life-changing experience one would not easily forget. For the second time in the last five years, our lives in Puerto Rico were ushered into a time machine and sent back to the 19th century a mere 24 hours just before Puerto Rico braced for the impact of Hurricane Fiona. In 2017, when Hurricane Maria hit Puerto Rico directly, it was a Category 5 storm that had just turned into a Category 4 as it crisscrossed the island, entering via Yabucoa and traveling north. We endured 97 days without power; it came back on Dec. 26, 2017.

As Tropical Storm Fiona approached our region just before it became a hurricane, all pertinent entities, including the Government of Puerto Rico, LUMA Energy and the Puerto Rico Aqueduct & Sewer Authority said that they were all ready

to face the storm.

Well, after eight days and seven nights, it turns out that none of them were ready or, at the very least, we should ask what they meant by being prepared for the storm.

- If they were ready to prove that our institutions have failed Puerto Rican again, they were prepared.

- If they were ready to allow 3.2 million U.S. citizens to face a blackout again, they were prepared.

- If they were ready to prove that gas and diesel supplies would run out, forcing hundreds of stores and gas stations to close because of it, they were prepared.

- If they were ready to prove that roads and bridges would fail, from the municipalities of Comerio to Utuado including 20 others, they were prepared.

- If they were ready to prove that the Puerto Rico Electric Power Authority (Prepa) and LUMA would

not be able to reenergize Puerto Rico after eight days and citizens became confused with the lack of information and transparency, they would be prepared.

We can accurately say that of all the places in the United States, Puerto Rico's power authority received \$12.8 billion from FEMA; of those, \$9.4 billion, the most in history, is specifically to transform the island's electric grid.

After receiving such an excessive amount solely for the electrical system, citizens' expectations became relatively high. The public-private-partnership selection of the Quanta-Atco consortium that created LUMA Energy further added to the expectations.

Adding to more pain to the 3.2 million citizens of Puerto Rico, USA, is the realization that even though Congress allocated billions in reconstruction funding to create a more resilient infrastructure, upon Hurricane

Fiona's impact, we all fell into a prolonged blackout that, at least in my town, continued as of this writing, realizing that not much has changed and we continue to be impacted by these natural disasters. The prolonged blackout most of us are still experiencing is just inexcusable.

The damage was not just to the electrical grid; we also lost 100 percent of the water utility service for several days; diesel and gas became scarce; and supermarkets and all kinds of stores and business locations had to close.

As the initial days went by as a blur, those who were very lucky began to get their water back. Sunday's joint press conference with Prepa, LUMA, EcoEléctrica, AES and the governor's undersecretary of energy affairs offered an update that should have probably occurred daily. During the press conference, Prepa showed that the energy generation was 1,467 MW out of the 2,953 MW, and 54 percent of customers had electric power.

The assembled team offered several projections:

- Monday, Sept. 26: When generation reaches between 1,900 MW to 2,100 MW, 57 percent to 64 percent of customers will have power.

- Wednesday, Sept. 28: When the generation reaches 2,100 MW to 2,300 MW, 64 percent to 77 percent will have power.

- Friday, Sept. 30: When generation reaches 2,300 MW to 2,600 MW, 77 percent to 91 percent of customers will have regained service.

There are self-evident problems with our electric grid; for that reason, communicating all the facts clearly, with transparency, is what we need to become entirely ready to continue with our lives during this ordeal. The last thing anyone should do is to sugarcoat the facts. If Puerto Ricans cannot trust their government and its institutions to perform the job for which its very existence depends, we all lose.

Meanwhile, we shall continue cooking in camping or impromptu ovens made out of rocks and grates fueled by charcoal or gas BBQs.

Some of us think that if our only service loss is water or power, we are lucky. As we go southwest, citizens from Salinas lost 2,500 homes and all their belongings; those in Santa Isabel, Juana Díaz, Villalba, Ponce and Yauco also had extreme flooding as rain to the tune of 30-plus inches impacted them.

In the beautiful mountain towns of

Jayuya, Utuado, Corozal, Naranjito, Orocovis, San Sebastián, Morovis, Villalba, Maricao, Adjuntas and Las Marias flooding damage and road destruction have been catastrophic.

Entire communities have been devoid of access and have had to set up impromptu pulleys with baskets to obtain supplies. We have seen people drink from streams and other water sources.

Many people's daily chores now include trying to obtain your next meal, finding water, seeking gas and somehow washing clothes, and those who still have jobs have to worry about all that while also working an entire eight-hour shift.

We have told many of our clients that we wondered how our grandparents or great-grandparents thrived under similar circumstances in the 19th century.

Most Puerto Rican families, mainly outside the metro area, are scared to venture outside at night; with most places in total darkness, the scene in Puerto Rico is almost surreal.

What were peaceful, idyllic towns whose sounds at night included the song of the tiny Puerto Rican frog, the coqui, these have been drowned out by the roar of backup power generators.

As incredible as it sounds, this is how, for the second time in five years, 3.2 million U.S. citizens have been living for the past eight days and seven nights: in the dark, as we are still off the grid with a catastrophe that seems to have no end in sight.

As our government attempts to regain its footing in the aftermath of Hurricane Fiona, We have to wonder what exactly it is prepared for.

"Out of suffering have emerged the strongest souls. The most massive characters are seared with scars," writer Khalil Gibran said. Our only hope is that we can all survive this ordeal, which we are facing for the second time in five years, almost to the day.

Francisco Rodríguez-Castro is president and CEO of Birling Capital LLC. Think Strategically is a publication by Birling Capital LLC that summarizes recent geopolitical, economic, market and other developments. This report is intended for general information purposes only and does not represent investment, legal, regulatory, or tax advice. Recipients are cautioned to seek appropriate professional counsel regarding any of the matters discussed.