Whitefish Energy profits in Puerto Rico from Trump administration connection

Rafael Azul
30 October 2017

The Puerto Rican catastrophe, in its fifth week, has become a mixture of disinformation, inefficiency, and profound tragedy.

Last week it was announced that 900 bodies were cremated of people who died after Hurricane María swept through the island, without any forensic investigation to determine if their deaths were due to the storm. Doctors and nurses continue to report shortages of essential medications and electrical power that in hundreds of cases result in preventable deaths. The young, the infirm, and the elderly continue to be at risk.

The social devastation is compounded by brazen corporate profiteering. The $300 million no-bid contract between Whitefish Energy and the Puerto Rican Electric Power Authority (PREPA, or in Spanish AEE), the Puerto Rican government utility, exposes both the greed and corruption characteristic of natural disasters under capitalism, where human life takes a back seat to profit.

It was initially reported that Whitefish, a small Montana-based company, had not asked for any money up front and that it had been vetted by FEMA (the US Federal Emergency Management Authority). This agency initially indicated it would reimburse the cost of hiring Whitefish, a company with only two employees and absurdly limited experience.

The lack of transparency surrounding the Whitefish contract feeds the suspicion that the company took advantage of the political connections of Joe Colonetta, a big donor to the Trump presidential campaign and to the Republican Party. Colonetta heads HBC Investments, a Dallas-based firm that is the financial backer of Whitefish, while Whitefish CEO Andy Techmanski has a friendship with Interior Secretary Ryan Zinke.

As these connections have come to light, top Puerto Rican government officials have tried to wash their hands of the deal. Governor Ricardo Rosselló has belatedly called for the contract to be cancelled, as has San Juan Mayor Carmen Yulin Cruz. FEMA has withdrawn its support as well.

None of the agencies connected to this scandal—FEMA, the Puerto Rican government and Whitefish Energy—have presented a credible explanation of how this entire process took place. Who was it that approached the Puerto Rican government or the Power Authority? How was Whitefish's initial offer handled, and by whom? Under what circumstances was it decided to award the contract to Whitefish? Why did AEE decide not to activate the mutual aid agreements that exist nationwide between public utilities, particularly given a standing offer by the New York State Power Authority to send in crews and equipment?

The San Juan daily *El Nuevo Día* examined a document released by the Puerto Rico's government house, titled "Emergency Purchases and Contracts Process Hurricane María" (exhibit 3807), originally elaborated by Ramon Caldas, AEE's procurement division chief, who signed the Whitefish contract on September 27.

The Caldas report contains a table that compares the cost to AEE of thirteen categories of skilled labor from the different US firms that responded to an AEE request (PowerSecure, Cobra Energy, Southern Electric, State Electric and B&B), with little variation between them.

While the labor costs for the initial Whitefish contract of September 27 were in line with those reported on the Caldas table, an amended contract signed on October 17 raised the labor costs far above the original contract.

© World Socialist Web Site

El *Nuevo Día* provides two examples: for maintenance person, the amended contract is about $10.54 more per hour than what is in the Caldas table. In the case of "grounds men," the hourly difference is $19.24. In addition Whitefish added charges for equipment and for housing and feeding each worker. There are additional charges per hour in the case of the contract workers that Whitefish utilizes.

Whitefish was selected on an emergency basis, following the issuance of executive order 2018-53 by governor Ricardo Rosselló, in anticipation of the hurricane. That order exempts government agencies from following the established transparent procedures for bidding in its purchases during the emergency.

Accordingly, Whitefish was hired on a no-bid basis, following "a careful evaluation of RFIs [requests for information] to each of thirteen companies contacted by AEE," in the words of the report. This included a requirement that the selected company be required to mobilize 800 crews "immediately," following the passage of the devastating storm. As of last week Whitefish had only 300 employees in its assigned region, with plans to have 1,000 in place in the near future.

Whitefish has been given the task of rebuilding the devastated transmission lines that link the southern part of the island, where the bulk of the generators are located, with the northern part, the region with the greatest demand. The contract is for one year. As it now stands, its cost to the AEE and to Puerto Rico is estimated at between $250 and $320 million in the first three months. It has been pointed out that this is by far the most expensive contract that AEE has signed.

The Whitefish contract, containing the now infamous clause (article 59-1) that it could not be questioned by any US or Puerto Rican government or financial agency, was signed on September 27 and amended on October 7.

Clearly the bidding process raises many questions. It is not clear what role Zinke or Trump administration officials played in the amended October 7 contract, for instance.

Puerto Rico comptroller Yasmín Valdivieso, whose auditors have been investigating fuel purchases by the Puerto Rico Power Authority said that her office will also investigate whether the Whitefish contract represents conflicts of interests, corruption and cronyism.

Also last week, New York Governor Andrew Cuomo, in his second visit to San Juan since Hurricane María, declared the willingness of the New York State Power Authority to send work crews into the island and wondered out loud how it was that the AEE refused to activate mutual aid agreements with mainland public utilities, and instead turned to Whitefish.

Adding his voice to this chorus, Senator Bernie Sanders who arrived Friday afternoon to San Juan in a "fact-finding mission," condemned the Whitefish contract, declaring himself "indignant" at a press conference with Mayor Cruz after a tour of la Playita, one of the worst-hit areas in San Juan.

The Whitefish contract also attracted congressional attention in Washington. Democratic Senators Maria Cantwell (Washington state) and Ron Wyden (Oregon) have sent a letter calling for the Government Accountability Office (GAO) to investigate this contract.

None of the Democrats has put forward any serious proposal for the type of massive federal aid that is needed to rebuild the shattered infrastructure of the island. Congress gave bipartisan approval this week to a hurricane emergency spending bill that offered a pathetic $4.9 billion in loans to Puerto Rico, for a disaster whose total cost is now likely to approach $100 billion.

To contact the WSWS and the Socialist Equality Party visit:

wsws.org/contact

© World Socialist Web Site