

# United States Senate

COMMITTEE ON  
HOMELAND SECURITY AND GOVERNMENTAL AFFAIRS

WASHINGTON, DC 20510-6250

CHRISTOPHER R. HIXON, STAFF DIRECTOR  
MARGARET E. DAUM, MINORITY STAFF DIRECTOR

December 1, 2017

Arty Straehla  
Chief Executive Officer  
Mammoth Energy Services, Inc.  
14201 Caliber Drive Suite 300  
Oklahoma City, OK 73134

Dear Mr. Straehla:

I write to request information about the role of Cobra Acquisitions, LLC (Cobra), a wholly owned subsidiary of Mammoth Energy Services, Inc., in the restoration of Puerto Rico's electrical grid in the wake of Hurricane Maria.

As of November 30, over two months since Hurricane Maria made landfall, more than one third of the island remains without power.<sup>1</sup> As federal agencies continue to work with the Puerto Rico Electric Power Authority (PREPA) to restore power, it is imperative that any taxpayer dollars used in this effort are spent effectively and are not subject to waste, fraud, or abuse. Recent revelations surrounding the \$300 million contract that PREPA awarded to Whitefish Energy Holdings, LLC, have raised concerns about the management and oversight of federal funds used in the power restoration efforts.<sup>2</sup>

On October 19, 2017, PREPA awarded a \$200 million contract to Cobra to perform work that includes a "comprehensive damage assessment of the existing electrical grid," "engineering services to aid in the design of a new electric utility grid," and "construction services to rebuild the electric grid."<sup>3</sup> Recent reports suggest that PREPA plans to use disaster aid funds from the Federal Emergency Management Agency (FEMA) to pay Cobra under this contract.<sup>4</sup>

---

<sup>1</sup> Government of Puerto Rico, Dashboard ([www.status.pr/home](http://www.status.pr/home)) (accessed Nov. 30, 2017).

<sup>2</sup> See, Letter from Ranking Member McCaskill to Brock Long, Administrator, Federal Emergency Management Agency (Nov. 2, 2017); Letter from Ranking Member McCaskill to Andrew Techmanski, Chief Executive Officer, Whitefish Energy Holdings, LLC (Nov. 2, 2017).

<sup>3</sup> Mammoth Energy: *Mammoth Energy Announces that its Cobra Subsidiary has Entered into a Contract to Aid in the Rebuilding of Puerto Rico's Energy Infrastructure*, (Oct. 19, 2017) ([ir.mammothenergy.com/releasedetail.cfm?releaseid=1044664](http://ir.mammothenergy.com/releasedetail.cfm?releaseid=1044664)).

<sup>4</sup> See, e.g., *Here's the other small firm that won a big Puerto Rico power deal*, CNN Money (Nov. 6, 2017) ([money.cnn.com/2017/11/06/news/economy/cobra-power-deal-puerto-rico/index.html?sr=twmoney110717cobra-power-deal-puerto-rico](http://money.cnn.com/2017/11/06/news/economy/cobra-power-deal-puerto-rico/index.html?sr=twmoney110717cobra-power-deal-puerto-rico)).

Additionally, you reportedly stated that FEMA played a role during the contracting process and was “in the room every step of the way.”<sup>5</sup>

In light of these indications that PREPA plans to use FEMA disaster relief funds to pay Cobra, I am concerned about the company’s apparent attempt to circumvent federal oversight. A publically released copy of the contract shows that Cobra and PREPA agreed to the following:

In no event shall PREPA, the Commonwealth of Puerto Rico, the FEMA Administrator, [or] the Comptroller General of the United States . . . have the right to audit or review the cost and profit elements of the labor rates specified herein.<sup>6</sup>

This clause is in direct conflict with both PREPA and FEMA’s obligations to ensure that any costs – including labor rates – associated with taxpayer-funded contracts are fair and reasonable.

In order to assist this Committee with its oversight of federal spending and disaster response efforts, I request that you provide the following information as soon as possible, but no later than December 22, 2017.

1. Please describe the contracting process, including bid submission and negotiations, between PREPA and Cobra. If officials from FEMA, the U.S. Army Corps of Engineers, or any other federal agency were involved in the contracting process between PREPA and Cobra, please explain their roles.
2. Please describe any representations made by PREPA to Cobra regarding PREPA’s ability to obtain FEMA Public Assistance funding and utilize such funding to pay for costs associated with PREPA’s contract with Cobra.
3. Please explain the purpose of “ARTICLE 59: Access to Records,” included in the October 19, 2017 contract between PREPA and Cobra. What is the legal basis for the stated prohibition on the ability to “audit or review the cost and profit elements of the labor rates specified [in the contract]”?
4. Please provide a copy of the following documents:
  - a. The contract executed by PREPA and Cobra on October 19, 2017, and all exhibits, amendments and addenda;

---

<sup>5</sup> *Echoes of Whitefish surface in \$200M Puerto Rico grid deal*, E&E News (Oct. 31, 2017) ([www.eenews.net/stories/1060065137](http://www.eenews.net/stories/1060065137)).

<sup>6</sup> Emergency Master Service Agreement for PREPA’s Electrical Grid Repairs – Hurricane Maria, entered into between Puerto Rico Electric Power Authority and Cobra Acquisitions, LLC (Oct. 19, 2017).

- b. Any other agreements between PREPA and Cobra related to the restoration of power in Puerto Rico;
  - c. The request for proposals, or similar notice of opportunity, released by PREPA;
  - d. All formal proposals or other responses provided by Cobra to PREPA prior to the award of the contract;
  - e. All communications between Cobra and PREPA related to the restoration of power in Puerto Rico;
  - f. All communications between Cobra and any employee or representative of the federal government related to Cobra's contract with PREPA; and,
  - g. All subcontracts awarded by Cobra related to its contract with PREPA.
5. Please describe the work that Cobra plans to complete under its contract with PREPA, and the work that has been completed to date.
  6. Please describe Cobra's role in restoring power to areas affected by Hurricanes Harvey and Irma, and identify all entities (e.g. state or local agencies) with which Cobra entered into an agreement related to the restoration of energy infrastructure.

If you have any questions please contact Jackson Eaton and Claudine Brenner of my staff at (202) 224-2627. Please send any official correspondence related to this request to Lucy Balcezak at [Lucy\\_Balcezak@hsgac.senate.gov](mailto:Lucy_Balcezak@hsgac.senate.gov). Thank you for your prompt attention to this matter.

Sincerely,



Claire McCaskill  
Ranking Member

cc: Ron Johnson  
Chairman