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Puerto Rico Reaches Power Utility Debt Deal.

Creditors would take the same haircut as in previous agreement while delaying principal repayment for longer, backstopping a potential new-money loan

Creditors of Puerto Rico's public power monopoly agreed to revise a $9 billion restructuring accord, providing additional debt relief to mitigate politically unpopular rate increases for consumers.

The U.S. territory on Thursday announced a new restructuring agreement covering the public utility known as Prepa ahead of a May 1 deadline to reach consensual settlements with creditors. The new framework modifies a debt-cutting agreement dating to 2015 that Gov. Ricardo Rossello sought to renegotiate after his January inauguration.

The governor, with the support of federal officials overseeing Puerto Rico's finances, reopened negotiations last month to ask for additional concessions from holders of Prepa's power revenue bonds and insurance companies that guarantee more than $2 billion of Prepa's approximately $9 billion debt load.

The original deal called for Prepa bondholders to exchange their bonds for new securities at a 15% discount. Under the framework announced Thursday, creditors would take the same haircut while delaying principal repayment for longer and backstopping a potential new-money loan, according to a person familiar with the matter.

Thursday, a group of bondholders said the revised restructuring terms represent a "fair solution" and are "in the best interest of Puerto Rico, its people and the future of Prepa as a sustainable utility."

Mr. Rossello's decision to wrest negotiations from Prepa's independent board rankled creditors and U.S. lawmakers who argued that he should honor the pre-existing agreement. But creditors ultimately proved willing to deal rather than risk potentially larger losses in a court-supervised proceeding, according to a person familiar with the matter.

Puerto Rico is scheduled to begin mediated talks next week with creditors holding billions of dollars of other government bonds. Under discussion will be how to divvy up $800 million a year earmarked for debt service, according to a person familiar with the matter. But Puerto Rico has little time to reach voluntary agreements, with less than four weeks remaining before the expiration of a legal shield freezing creditor lawsuits.

Puerto Rico is negotiating based on a fiscal plan approved by federal authorities with more bearish economic assumptions than investors expected, sparking a selloff last month in benchmark Puerto Rico securities. The U.S. territory owes creditors roughly four times what they will collect over the next decade under the fiscal plan. Puerto Rico owes roughly $70 billion in overall municipal debt, including the approximately $9 billion attributable to Prepa.

After May 1, when the legal stay expires, federal oversight officials have authority to invoke a quasibankruptcy process and potentially force creditors to accept unfavorable terms. The threat wasn’t available when Prepa negotiated its original restructuring agreement under Mr. Rossello’s predecessor.

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