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Puerto Rico's Power Woes Are Decades in the Making.

Years of underinvestment and massive debts left the energy grid vulnerable

TOA BAJA, Puerto Rico — As residents here grapple with power outages across the entire island, the task of turning the lights back on falls to an electrical utility beset by rickety infrastructure, workforce reductions and financial woes so deep it declared a form of bankruptcy in July.

Earlier this month, Hurricane Irma sideswiped the island, knocking out power to about 70% of the customers of the Puerto Rico Electric Power Authority, or Prepa. The utility had made significant strides in restoring electricity when Hurricane Maria struck on Wednesday, wiping out power to 100% of its customers.

The “damage is catastrophic,” Ricardo Ramos, chief executive of Prepa, said Friday on CNN. He said previously that it could take months for power to be restored across the island.

Residents are bracing for an uncomfortable slog.

“People don’t think there will be light until after Christmas,” said Mara López, a resident of Toa Baja, near San Juan. Electricity “here is really unstable. It’s a system that has not been well-maintained, and every time the wind blows, it falls.”

The prolonged loss of power and disruption to businesses “could delay the economic recovery of the island,” said Rick Donner, vice president and senior credit officer at Moody’s Investors Service. Puerto Rico is contending with a decadelong recession, declining population and \$73 billion in debt. A federal board is overseeing its finances, and in May, the island declared what amounts to the largest-ever U.S. municipal bankruptcy.

Two months later, the federal board voted to place Prepa, which has \$9 billion of debt, in bankruptcy as well. The move was aimed at helping advance plans to modernize the utility and turn it from a government-owned monopoly into a regulated private utility.

Calls and emails to a spokesman for Prepa weren’t returned, though Puerto Rico’s telecommunications system was hobbled by Maria. Periodic updates on the utility’s Twitter feed highlight its efforts to assess damage and begin the process of restoring power.

Prepa’s problems have been decades in the making. Early in its history, it earned praise for powering Puerto Rico’s industrialization efforts in the 1940s and 1950s. But over time, it became less efficient, energy analysts say.

Its generating plants, which rely on imported oil for about 60% of their energy production, are mostly obsolete and require major upgrades or outright replacement, said Miguel Soto-Class, president of the Center for a New Economy, a nonpartisan think tank in San Juan that has done in-depth analyses of the utility’s finances.

Power outages on the island are common. A fire at one of the utility’s plants in September triggered

a blackout across the island that left many customers without power for days.

Yet prices are high. In April, Prepa's average electricity rate for customers was 20.1 cents per kilowatt-hour, down from 25 cents in 2013 but still close to double the average mainland U.S. rate of about 12 cents, according to Moody's.

Island residents have complained in interviews in recent years about the lengths to which they must go to keep their electricity bills in check. Some said they had limited their use of air conditioners as much as they can tolerate. Others said that they had shut off circuit breakers, except for the one controlling the refrigerator, before heading to work.

For years, Prepa enjoyed easy access to bond markets and borrowed regularly, accumulating enormous debt. Yet it failed to make important capital investments, such as transitioning to natural gas from oil to generate power, analysts say. Analysts say the money went to a bloated payroll, among other things.

When the island sank into recession, Prepa's finances suffered even more, as business and residential demand for power declined. The exodus of Puerto Ricans to the continental U.S. is shrinking the island's population, depleting the utility's customer base. And austerity measures that the utility implemented as it headed toward bankruptcy resulted in cuts to the workforce it now needs to make repairs.

"All these things have compounded, one on top of the other," Mr. Soto-Class said. They "will severely limit the ability of Prepa to come back quickly."

The utility likely will need many resources, such as power poles and lines, that typically aren't stored on the island, said Brock Long, administrator of the Federal Emergency Management Agency. And "even if the power grid is back up and running, getting power to the house is a whole other situation," since homes may have flooded and sustained damage to their electrical systems, he said.

Given that President Donald Trump declared a major disaster in Puerto Rico, the utility could receive federal disaster funds to help finance repairs.

"They're going to need help," Mr. Donner said. "This really is a big task."

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By Arian Campo-Flores and José de Córdoba

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Write to Arian Campo-Flores at arian.campo-flores@wsj.com and José de Córdoba at jose.decordoba@wsj.com