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Hope, Fear as Puerto Rico Moves to Privatize Power Company.

SAN JUAN, Puerto Rico — One of the largest public utilities in the U.S. might soon be up for sale, but many wonder who would want to buy a power company that is worth roughly half of the \$9 billion debt it holds and has an infrastructure nearly three times older than the industry average.

Concerns also are growing about whether plans to privatize Puerto Rico's Electric Power Authority will translate into more affordable electric bills and better service. People in the U.S. territory say they cannot afford another financial blow amid an 11-year-old recession and many complain about receiving high power bills after Hurricane Maria when they didn't even have electricity.

"Some people have faith that privatization will improve everything, but it's not a guarantee," said Puerto Rico economist Jose Caraballo. "If a good deal isn't hammered out, Puerto Rico can end up worse than it is."

The power company once known as the government's crown jewel has seen a reduction in employees and a drop in the demand for energy amid a deep economic crisis and recent austerity measures. The agency now has some 5,800 employees and serves nearly 1.5 million customers with infrastructure that is roughly 45 years old, which officials say caused frequent power outages before the hurricane and an island-wide blackout in September 2016 that lasted a couple of days.

The company also has long been criticized for political patronage and inefficiency, and recently faced accusations of corruption. In June 2016, the owner of the U.S. territory's biggest oil supplier was arrested after being charged with misappropriating \$11 million in public funds. Jose Gonzalez Amador and his company, PetroWest, are accused of charging the power company a 0.5 percent municipal tax even though some municipalities granted them a lower rate or waived the tax altogether. Authorities say the charge was then passed on to consumers.

Given that situation, can the U.S. territory attract any takers?

Industry analysts say it's a bit too early to tell, noting that it all depends on the type of measure the governor expects to submit in upcoming days to start the privatization process.

"It's a complicated arrangement: What's going to happen to the workers? Where is the debt going to land? What are the contracts going to look like? There are a lot of details here that have very real implications on how much electricity is going to cost for Puerto Rican customers," said Cathy Kunkel, an energy analyst with the Ohio-based Institute for Energy Economics and Financial Analysis.

She said her main concern is that privatization could occur without a regulatory body, which is needed in part to look after consumers' interests on an island where power bills have been double the average of those on the U.S. mainland, in part because imported fuel supplies three-fourths of the energy consumed in Puerto Rico, according to the U.S. Energy Information Administration.

The terms of the contract will determine the interest, Kunkel said, noting that the cost of any new investment in the electrical system will be paid by consumers.

“Private investors will want to make a profit,” she said. “But you have to contrast that with the waste and mismanagement that the (power company) has shown over the years.”

Any sale would have to be approved by a federal judge because the power company entered a bankruptcy-like process last year, and approval is first needed from legislators, which is unclear will happen.

Puerto Rico Senate President Thomas Rivera Schatz said Tuesday that he will study the upcoming measure to ensure it’s in the best interest of Puerto Rico and no one else.

“Privatization can be a great tool, but it is not a magic wand,” he said, noting that Puerto Rico once privatized its water and sewer company only to have the government take it back in the early 2000s after problems with service, billing and quality requirements set by the U.S. Environmental Protection Agency.

If legislators approve the governor’s measure, then Gov. Ricardo Rossello said his administration will monitor the market and start accepting offers from those interested in buying the power company’s assets. He said privatization would both improve service and lower power bills to about 20 cents per kilowatt hour, compared with the U.S. average of 10 cents per kilowatt hour. He also predicted it would lead to more investment in renewable energy projects.

Rossello said the electrical grid is not designed for Puerto Rico’s current needs, noting that the greatest demand exists in the north part of the island while the main generation plants are in the south. In addition to its aging infrastructure, the company known by its initials PREPA has lost 30 percent of its employees in the last five years, 86 percent of whom worked in maintenance, he added.

The company also has faced internal turmoil. Its director was forced out in November after the utility failed to immediately call for help from its mainland counterparts after Hurricane Maria. Instead, PREPA granted a power-restoration contract to a little-known company that the utility later scrapped. Most recently, PREPA was blamed for the failure to distribute badly needed parts found in one of its warehouses even as repairs to the storm-damaged power system went undone for lack of supplies.

Monday’s announcement by Rossello comes as more than 30 percent of customers remain without electricity more than four months after Hurricane Maria, and critics say he took advantage of that situation to rally support for his plan.

Union leader Angel Figueroa said Tuesday that workers oppose the governor’s plan but will not go on strike, noting that nearly half a million Puerto Ricans are still without power. However, he said the union will take other undisclosed measures, noting they have the support of unions that represent other types of workers including teachers.

“It’s not every man for himself,” he said. “Everyone here will be affected.”

Figueroa warned that power bills would only increase given the drop in demand for electricity in recent years as roughly half a million Puerto Ricans have fled for the U.S. mainland, and especially if a private company decides to invest in new infrastructure.

Rossello has said the privatization process could take 18 months, a timeframe that Moody’s on

Tuesday called “quite aggressive.” The agency said it supports privatization because it would bring in more capital, but noted that challenges remain, including “negotiating a price in an environment of declining Puerto Rico population, investing in rebuilding aging infrastructure, and how PREPA’s pension liability will be handled.”

By THE ASSOCIATED PRESS

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