

Bond Case Briefs

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BANKRUPTCY - PUERTO RICO

In re Financial Oversight and Management Board for Puerto Rico

United States District Court, D. Puerto Rico - December 19, 2025 - F.Supp.3d - 2025 WL 3687919

Private energy company brought adversary proceeding against debtor Puerto Rico Electric Power Authority (PREPA) and non-debtor Puerto Rico Public-Private Partnerships Authority (P3A), claiming breach of contract for failure to participate in mediation of alleged technical disputes and seeking declaratory judgment regarding proper dispute resolution process, under Puerto Rico Transmission and Distribution System Operation and Maintenance Agreement (T&D OMA), which allowed company to assume operation and management of T&D system, PREPA to retain ownership of same, and P3A to serve as administrator, pursuant to Puerto Rico Electric Power System Transformation Act, enacted after Financial Oversight and Management Board for Puerto Rico (Oversight Board) voluntarily petitioned for bankruptcy relief on behalf of PREPA, pursuant to Title III of Puerto Rico Oversight, Management, and Economic Stability Act (PROMESA).

Company moved for provisional relief to enjoin PREPA and P3A from initiating contractual dispute resolution procedures in T&D OMA until resolution of threshold dispute and to compel them to mediate threshold dispute, and P3A moved for dismissal for lack of subject matter jurisdiction or, alternatively, for abstention.

The District Court held that:

- Oversight Board had authority to represent PREPA in adversary proceeding;
- Subject matter jurisdiction could be exercised pursuant to PROMESA; but
- Abstention from adjudicating adversary proceeding was appropriate.

Financial Oversight and Management Board for Puerto Rico, rather than Puerto Rico Public-Private Partnerships Authority (P3A), was authorized to litigate on behalf of debtor Puerto Rico Electric Power Authority (PREPA), in adversary proceeding brought by private energy company, pursuant to Title III of Puerto Rico Oversight, Management, and Economic Stability Act (PROMESA), providing that in Title III case Board was representative of debtor PREPA, even though Puerto Rico Transmission and Distribution System Operation and Maintenance Agreement (T&D OMA) authorized Board to bind PREPA in connection with any matter contemplated under supplement to T&D OMA, since Board did not contractually cede its statutory authority to act as PREPA's sole representative in litigation concerning company.

Adversary proceeding brought by private energy company against debtor Puerto Rico Electric Power Authority (PREPA) and Puerto Rico Public-Private Partnerships Authority (P3A), claiming breach of contract for failure to mediate disputes pursuant to Puerto Rico Transmission and Distribution System Operation and Maintenance Agreement (T&D OMA), was not "arising under" Title III, within meaning of Puerto Rico Oversight, Management, and Economic Stability Act (PROMESA), providing that district courts had original but not exclusive jurisdiction of all civil proceedings arising under

Title III, or arising in or related to cases under Title III, since company's cause of action arose solely in connection with T&D OMA and its interpretation under Commonwealth law and was not created by Title III.

Adversary proceeding brought by private energy company against debtor Puerto Rico Electric Power Authority (PREPA) and Puerto Rico Public-Private Partnerships Authority (P3A), claiming breach of contract for failure to mediate disputes pursuant to Puerto Rico Transmission and Distribution System Operation and Maintenance Agreement (T&D OMA), was not "arising in" Title III case, within meaning of Puerto Rico Oversight, Management, and Economic Stability Act (PROMESA), providing that district courts had original but not exclusive jurisdiction of all civil proceedings arising under Title III, or arising in or related to cases under Title III, since underlying disputes could exist outside of bankruptcy as they were merely matters of contract interpretation and Commonwealth law.

Adversary proceeding brought by private energy company against debtor Puerto Rico Electric Power Authority (PREPA) and Puerto Rico Public-Private Partnerships Authority (P3A), claiming breach of contract for not mediating disputes under Puerto Rico Transmission and Distribution System Operation and Maintenance Agreement (T&D OMA), was "related to" Title III case, within meaning of Puerto Rico Oversight, Management, and Economic Stability Act (PROMESA), providing that district courts had original but not exclusive jurisdiction of all civil proceedings arising under Title III, or arising in or related to cases under Title III, since resolution of proceeding would touch on PREPA's contractual rights under T&D OMA, which was PREPA's property and could affect administration of its Title III estate.

Factors favored abstaining from adjudicating adversary proceeding brought by private energy company against debtor Puerto Rico Electric Power Authority (PREPA) and Puerto Rico Public-Private Partnerships Authority (P3A), claiming breach of contract for failure to mediate disputes pursuant to Puerto Rico Transmission and Distribution System Operation and Maintenance Agreement (T&D OMA), that was related to Title III case, under Puerto Rico Oversight, Management, and Economic Stability Act (PROMESA), although there was no related proceeding pending in state court, since proceeding was not likely materially affect administration of PREPA's Title III estate, state law issues predominated, company could be forum shopping, and abstention would avoid unnecessary burden on district court's docket.