

Bond Case Briefs

Municipal Finance Law Since 1971

Puerto Rico Utility Bondholders Unveil \$2 Billion Plan.

Bondholders of Puerto Rico's cash-strapped power utility unveiled a revitalization plan on Wednesday, days after the authority reached another agreement with creditors to push back a deadline to extend some loans.

Without a deal, the Puerto Rico Electric Power Authority may need to repay about \$696 million borrowed to help fund operations. The new deadline is April 15.

The junk-rated, state-owned utility, known as Prepa, said its bondholders' plan provides for nearly \$2 billion in new infrastructure investment, with bondholders and their capital partners backstopping the riskiest portion of this new investment. This new capital, Prepa says, will allow it to generate electricity at lower and more stable rates while continuing to service contractual debt obligations. It would also allow a workout of more than \$700 million that Commonwealth government entities owe to Prepa.

Investors have faced months of uncertainty from Puerto Rico's economic troubles. The island has more than \$70 billion in debt that is widely held because it is exempt from federal, state and local taxes.

Prepa is at the forefront of the island's financial woes. The authority, which has about \$9 billion of debt, is struggling to find cash to fund operations and pay lenders as the commonwealth struggles with steep unemployment and a weak economy.

Puerto Rico is barred from permitting its government entities to access Chapter 9 bankruptcy protections afforded cities like Detroit.

THE NEW YORK TIMES

By LISA BEILFUSS

April 1, 2015 4:02 p.m. ET