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Puerto Rico Utility Creditors Offer \$2 Billion Capital Plan.

Bondholders of Puerto Rico's Electric Power Authority are offering a plan that would inject \$2 billion into the junk-rated utility to modernize facilities and repair its finances.

The authority, known as Prepa, is negotiating an agreement with creditors to extend loans and lower its dependence on oil. That contract is set to end April 15 after Prepa, investors, banks and insurance companies agreed this week to a 15-day extension.

Puerto Rico, whose bonds are tax-exempt in all 50 U.S. states, has struggled under the burden of \$73 billion in debt issued by the commonwealth and its agencies. The securities have been trading at distressed levels for more than a year on concern that the island won't be able to repay its obligations.

Prepa bondholders are proposing \$2 billion of capital investment through existing and new investors. Converting the utility's facilities to burn natural gas will cut average electricity rates about 20 percent, according to Stephen Spencer, a managing director at Los Angeles-based Houlihan Lokey, an adviser to bondholders.

"Both Prepa and Puerto Rico need continued access to new investment capital at reasonable rates," Spencer said in a statement. "And the creditor plan is a big step toward restoring market confidence in the overall island economy."

July Deadline

Prepa, the biggest U.S. public-power authority, has \$8.6 billion of debt. It must pay investors about \$400 million in principal and interest July 1. If bondholders agree to take a loss, it would be the largest debt restructuring in the \$3.5 trillion municipal-bond market.

Some utility debt gained in value following reports of the proposed financing. Prepa bonds maturing July 2030 traded Wednesday at an average price of 58.06 cents, the highest since June 26, according to data compiled by Bloomberg.

The plan includes General Electric Co. upgrading Prepa's Aguirre facility, near Puerto Rico's southern coast, to burn natural gas.

"The plan was designed for immediate implementation to support the transformational efforts at Prepa," Spencer said in the statement.

Jose Echevarria, a Prepa spokesman, declined to comment on the \$2 billion financing proposal.

The utility last year used funds designated for infrastructure improvements to purchase fuel. It had \$1.75 billion of overdue accounts in September as residents, businesses and government entities fail to pay bills on time.

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