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Puerto Rico Electric Utility Wins Extension From Bondholders.

Puerto Rico's main electric provider won a two-week extension from bondholders to negotiate how to restructure \$8.3 billion of debt.

Investors holding about 35 percent of the utility's debt and its fuel lenders agreed to delay until Oct. 15 the expiration date on an agreement that was set to end Thursday, Lisa Donahue, the power provider's chief restructuring officer, said in a statement. The contract, called a forbearance agreement, keeps discussions out of court. The parties first signed the accord in August 2014. It is the ninth extension.

Puerto Rico Electric Power Authority, known as Prepa, and the bondholder group on Sept. 1 reached a tentative agreement that would require investors to take losses of about 15 percent in a debt exchange. Bond insurers Assured Guarantee Ltd., Syncora Guarantee Inc. and MBIA Inc. have balked at the plan and declined to continue the forbearance.

"We continue to work with the monolines in an effort to reach a consensual agreement on terms that would be beneficial to all parties involved," Donahue said.

Below Proposal

A Prepa restructuring would be the largest-ever in the \$3.6 trillion municipal-bond market. Puerto Rico and its agencies, including Prepa, owe about \$73 billion after years of borrowing to delay debt payments and fill budget deficits. The utility restructuring is the first step toward Puerto Rico's goal to lower its debt burden.

Prepa bonds maturing July 2040 traded Friday at an average of 59.2 cents on the dollar, according to data compiled by Bloomberg. That's higher than an average 53.5 cents on Aug. 28, the last time the bonds traded before the Sept. 1 agreement. But that's still lower than the 85 cents that bondholders would receive in a proposed debt exchange.

The bonds yielded 9.59 percent.

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by Michelle Kaske

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