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## **Puerto Rico Agency Said in Talks With Insurers to Raise Cash.**

The Puerto Rico Electric Power Authority and insurance companies that guarantee repayment on some of its bonds are in talks to delay payments to free up cash and help restructure \$8.3 billion of debt, according to two people with knowledge of the matter.

A compromise with MBIA Inc., Assured Guarantee Ltd. and Syncora Guarantee Inc. is the missing piece in a plan announced last month in which some holders of uninsured bonds agreed to take a 15 percent loss in a debt exchange. The parties are working out details that would ease near-term debt payments, said the people, who asked for anonymity because the talks are private.

The negotiations come as Prepa, as the agency is known, won another eight days from investors that hold about 35 percent of its debt, and fuel lenders, to negotiate how to restructure its securities. The forbearance agreement, which now expires Oct. 30 and was set to end Thursday, keeps discussions out of court. This is the 11th extension since the parties first signed the agreement in August 2014. A Prepa restructuring would be the largest ever in the \$3.7 trillion municipal-bond market.

### **Prices Increase**

Lisa Donahue, Prepa's chief restructuring officer, said Tuesday at a meeting organized by Puerto Rico's Chamber of Commerce in San Juan that she's confident the utility will come to an agreement with its bond insurers. Jose Echevarria, a spokesman in San Juan for Prepa, declined to comment Thursday.

The utility's bonds maturing in July 2040 traded Thursday at an average price of 61 cents on the dollar, to yield 9.3 percent, according to data compiled by Bloomberg. The debt changed hands at about 50 cents at the start of the year.

"We continue to work with Prepa on a broad consensual settlement that would provide support from Assured Guaranty, and would put the utility on a sound financial footing," according to a response from the bond insurer posted to its website Thursday night following a U.S. Senate committee hearing on Puerto Rico's finances.

Michael Corbally, a spokesman for Syncora declined to comment. Greg Diamond, a spokesman for MBIA, reiterated that the insurer continues to work with Prepa, local government officials and other creditors toward a consensual solution.

### **Bankruptcy Proposal**

The monolines, which insure about \$2.5 billion of Prepa debt, are considering embedding in the potential debt exchange an instrument that would provide liquidity, one person said. Prepa and the bond insurers may reach a tentative agreement as soon as Friday, the other person said. The utility faces a \$196 million interest payment on Jan. 1.

Doubts about the oversight of Puerto Rico's broader finances is a sticking point in the discussions

with the insurers, one person said. Governor Alejandro Garcia Padilla has filed legislation that would create a fiscal oversight board, with the five panel members selected by the governor and approved by the commonwealth's Senate. A board on which members are separate from political leadership would provide better transparency and management of the island's finances, the person said.

Prepa bondholders have objected to an Obama administration proposal released Wednesday that asks Congress to give the commonwealth and its municipalities access to bankruptcy protection to help reduce the island's \$73 billion debt load. The governor announced in June that debt payments were unsustainable.

## **Bloomberg News**

by Michelle Kaske

October 22, 2015 — 2:07 PM PDT Updated on October 23, 2015 — 6:44 AM PDT

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