
Puerto Rico Governor Submits Electric Utility Restructuring Bill.

Puerto Rico Governor Alejandro Garcia Padilla's administration sent to the island's legislature a bill that would give its main electricity provider power to restructure about $8.3 billion of debt.

The Puerto Rico Electric Power Authority, known as Prepa, has been negotiating since August 2014 with its creditors on how to ease the utility's debt payments and modernize a system that relies heavily on crude oil to produce electricity. Prepa faces a $1 billion shortfall for the fiscal year ending June 30, 2016, according to the governor's legislation. The utility has a $196 million interest payment due to bondholders on Jan. 1.

"With this legislation we can realize the debt relief and savings offered by the creditor compromises and make the changes and investments needed to ensure that Prepa can provide the people and businesses of Puerto Rico with reliable power, stable rates and outstanding customer service for generations to come," Javier Quintana Mendez, Prepa's executive director, said Wednesday in a statement.

The utility has been hindered in its attempts to reorganize its finances because the commonwealth's agencies don't have access to bankruptcy, as do their counterparts in the U.S. A restructuring of the utility's debt, which would be the largest ever in the $3.7 trillion municipal market, would serve as a key first step in Garcia Padilla's plan for the island to reduce its $73 billion debt burden. The governor said in June that the island's debt is unsustainable and has sought to gain concessions from creditors.

Electric Rate

The legislation will seek "a reasonable and stable electric rate" Jesus Manuel Ortiz, a spokesman for Garcia Padilla, told reporters Wednesday in San Juan.

Prepa should submit a request to change energy rates so revenue will cover annual debt servicing, "including principal, interest, reserves and other requirements imposed by the accords with creditors," according to the legislation. Revenue should also cover costs such as the purchase of fuel, investments and general administration, according to the bill.

The legislation would enable Prepa to invest $2.4 billion to upgrade plants and give Prepa the authority to enter into public-private partnerships to help finance infrastructure improvements. Prepa's new board would consist of seven members, including two people to represent citizens, Ortiz said.

The bill also seeks to improve Prepa's process for collecting outstanding bills from public and private entities and change the utility's ability to collect payments from municipalities.

Prepa and some of its bondholders reached a temporary agreement in September that would require investors to take a 15 percent loss in a debt exchange. The utility is also negotiating with bondinsurance companies that guarantee about $2.5 billion of Prepa debt against default.

The bill would give legislative authority to a deal that may emerge from the negotiations.

Bloomberg

by Michelle Kaske and Alexander Lopez

November 4, 2015 — 10:22 AM PST Updated on November 4, 2015 — 1:31 PM PST