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Puerto Rico Electric Extends Bondholder Restructuring Pact.

Puerto Rico's main electricity provider extended an agreement with some bondholders to Nov. 20, giving the utility more time to negotiate with insurers that guarantee a portion of its debt against default.

The Puerto Rico Electric Power Authority, known as Prepa, is trying to restructure $8.2 billion of debt to reduce its costs and free up cash for plant upgrades. Investors holding about 35 percent of its debt on Nov. 5 agreed to take losses of as much as 15 percent by exchanging their bonds for new securities.

The deal was set to lapse Thursday if Prepa couldn't win the support from companies that insure about $2.5 billion of the utility's debt. The new deadline is Nov. 20, Prepa said in a statement.

"Prepa will use the extension to continue discussions with its monoline bond insurers, while the legislative process to approve the Prepa Revitalization Act continues," according to the utility.

The restructuring would be the largest ever in the $3.7 trillion municipal-bond market and mark a first step by Puerto Rico to reduce a $70 billion debt load that Governor Alejandro Garcia Padilla says the island can't afford to pay.

Debt Exchange

If MBIA Inc., Assured Guaranty Ltd. and Syncora Guarantee Inc. don't sign on to the Nov. 5 agreement, the negotiations between Prepa, its fuel-line lenders and bondholders may ultimately be resolved through the courts, according to a notice posted on the Municipal Securities Rulemaking Board's website.

Prepa bonds maturing July 2040, the utility's most-actively traded uninsured security by volume in the past three months, changed hands Thursday at an average 58.6 cents on the dollar, for an average yield of 9.7 percent, according to data compiled by Bloomberg. The bonds traded at an average 50 cents at the start of the year.

The debt exchange would need to be approved by Puerto Rico lawmakers, who have until Nov. 17, the end of the current legislative session, to vote on Prepa's Revitalization Act, which would change Prepa's operations and allow it to restructure debt. Garcia Padilla could call a special session of the legislature to give lawmakers more time to work on the Prepa bill.

The new bonds must receive an investment-grade rating, and the exchange will be voided if more than $700 million of the utility's uninsured bonds aren't sold back, according to the terms of the agreement. The three largest rating companies grade Prepa at junk-bond levels.

BloombergBusiness

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November 12, 2015 — 12:57 PM PST Updated on November 13, 2015 — 6:09 AM PST