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Puerto Rico Electric Gets \$55 Million Funding From Creditors.

Puerto Rico's government-run electric utility resurrected a deal with creditors willing to lend it \$111 million, a sign of slow-moving progress in the island's first negotiated agreement to cut some of its \$70 billion of debt.

The Puerto Rico Electric Power Authority's creditors will provide \$55 million to the utility as a first installment of a \$111 million bond, the agency said in a statement Friday. The parties are working to finalize the sale of the remaining \$55 million in securities.

The financing is part of the debt-restructuring accord the utility, known as Prepa, reached in December with hedge funds, bond insurers and mutual funds, which marked the island's first step toward cutting what it owes creditors. The promised cash allowed the utility to avoid defaulting on a \$196 million interest payment due in January, with bondholders and insurers agreeing to purchase the three-year bonds later.

Prepa had been negotiating since last week, when the debt-sale agreement between bondholders, MBIA Inc. and Assured Guaranty Ltd. lapsed. Creditors were reluctant to lend because Governor Alejandro Garcia Padilla signed a debt-moratorium law on April 6 that allows him to suspend principal and interest payments. This week, Puerto Rico's Senate alleviated the concerns by passing legislation exempting the new bonds from the moratorium law.

"This agreement with creditors demonstrates the continued commitment of Prepa," Lisa Donahue, the agency's chief restructuring officer, said in a statement.

The move follows an agreement between President Barack Obama's administration and Republicans in Congress on Thursday over legislation, known as PROMESA, that would create a new financial control board to manage a debt restructuring, as well as to oversee the island's finances. The bill also protects any existing, voluntary restructuring agreements between a commonwealth agency and its creditors, like the Prepa plan.

"It's a positive for Prepa because they're getting some money in the door — that will help their liquidity near-term," said Matt Fabian, partner at Concord, Massachusetts-based Municipal Market Analytics. "The potential amendment to the moratorium, or the very reasonable prospects of passing the PROMESA bill, might be giving the creditors some confidence."

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