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## **Fitch Downgrades Puerto Rico Electric Power Auth's IDR and Rev Bonds to 'D'**

Fitch Ratings-New York-06 July 2017: Fitch Ratings has downgraded the Puerto Rico Electric Power Authority's (PREPA) Long-Term Issuer Default Rating and power revenue bond ratings to 'D' from 'C'. The action follows the authority's failure to pay principal and interest due on the revenue bonds on July 3, 2017 and the commencement of insolvency proceedings under Title III of the Puerto Rico Oversight, Management, and Economic Stability Act (PROMESA) on July 2, 2017.

Both ratings have been removed from Rating Watch Negative.

PREPA had previously disclosed a restructuring plan and related support agreement that anticipated the reduction of existing debt by means of a proposed distressed debt exchange but could have resulted in the continuing performance of certain securities. However, the plan and support agreement were effectively terminated following a vote on June 29, 2017 by the Financial Oversight and Management Board appointed under PROMESA not to certify the agreement as eligible for debt modification procedures under Title VI of PROMESA. On June 30, 2017, the Board certified PREPA to file a voluntary petition under Title III of PROMESA.

### **RATING SENSITIVITIES**

The Puerto Rico Electric Power Authority's Issuer Default Rating and power revenue bond ratings have reached the lowest level on Fitch's rating scale. It is Fitch's intent to continue to monitor PREPA's Issuer Default Rating and reexamine PREPA's credit profile once debt restructuring plans become clear.

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