

Bond Case Briefs

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Puerto Rico Utility's Future Revenue At Stake in Bondholder Fight.

- **Appeals court to decide scope of investors' secured claim**
- **Island's power utility is seeking to reduce \$9 billion of debt**

Puerto Rico's bankrupt power utility and its creditors squared off in court Monday on whether bondholders have a legal right to the electricity provider's future revenue.

The debate before the US Court of Appeals for the First Circuit centers around whether the island's main energy supplier, Electric Power Authority or Prepa, must repay its creditors more than just the roughly \$19 million sitting in reserve accounts that a bankruptcy court last year ruled was the bondholders' only secured lien.

At stake is the \$9 billion Prepa owes to investors and fuel-line lenders while island residents endure some of the highest electricity rates in the US amid frequent outages. The case is poised to affect revenue-backed municipal debt beyond Puerto Rico as water and sewer authorities, hospitals, toll roads, higher educational institutions and transit agencies all sell bonds with the pledge to repay investors from future revenue collections.

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By Michelle Kaske

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