

# **CIVIL SOCIETY STATEMENT ON PUERTO RICO ELECTRIC POWER AUTHORITY DEBT RESTRUCTURING AGREEMENT**

## **Puerto Rico Stakeholders and Allies Demand that Puerto Rico's Legislature Reject the Power Authority Debt Restructuring Agreement**

We, a coalition of Puerto Rico stakeholders and allies, rise in protest and demand that Puerto Rico's Senate and House of Representatives reject the Restructuring Support Agreement (Agreement) reached on May 3, 2019 between the Puerto Rico Financial Oversight and Management Board, the Puerto Rico Fiscal Agency and Financial Advisory Authority, the Puerto Rico Electric Power Authority (PREPA), and a group of bondholders for the restructuring of \$8.5 billion of debt issued by PREPA.

This is a great deal for PREPA bondholders but a terrible one for Puerto Rico's energy consumers and generators. It runs counter to Puerto Rico's Energy Public Policy Act of 2019, which provides a path forward to a more decentralized electricity system, increasingly reliant on renewable sources and on consumer power generation.

The current electricity rate in Puerto Rico is approximately 22 cents per kilowatt hour (c/kWh) compared to the national average of 10.38 c/kWh. The Agreement establishes that Puerto Ricans must pay for the 47 year lifetime of the debt a surcharge equivalent to a rate increase of nearly 20%. Combined with other

charges resulting from the restructuring of the utility, the debt surcharge would increase the base electricity rate by nearly 28%.

Customers that generate their own electricity will be subject to a debt surcharge unless they are completely and permanently disconnected from the electric grid. This debt surcharge stifles the population's growing desire to become energy independent and resilient after a major disaster strikes.

Fiscal policy experts recommend reducing Puerto Rico's overall debt by approximately 80 percent, yet the Agreement generates a reduction in the principal of the existing PREPA bonds of only 22.5 percent. Puerto Rico's government does not have the resources to pay the debt, maintain basic government services and jumpstart a moribund economy. Nor does Puerto Rico have the resources to make a series of capital investments in PREPA that will reduce its dependency on oil and its operating costs.

PREPA's electrical grid is obsolete and has been in a state of disrepair for decades. Yet rating agencies continued to give PREPA investment-grade credit ratings, and underwriters and legal advisors continued to collect fees on various loans and debt deals. Why must Puerto Rican consumers bear the heavy economic burden of PREPA'S mismanagement and Wall Street's greed?

The Puerto Rican legislature has the power to stop this horrible deal, which will impede Puerto Rico's recovery and condemn its people to sustained economic hardship. We ask that Puerto Rico's Senate and House of Representative show their political muscle and do right by the Puerto Rican people.

*This statement is endorsed by Alianza for Progress, Asociación Puertorriqueños en Marcha, Ayuda Legal Puerto Rico, Cambio, El Puente Latino Climate Action Network, Espacios Abiertos, GreenLatinos, Hispanic Federation, Instituto Nacional de Energía y Sostenibilidad Isleña, Jubilee USA Network, LatinoJustice PRLDEF, National Conference of Puerto Rican Women, National Puerto Rican Agenda, Oxfam America, Power 4 Puerto Rico, Service Employees International Union, Sierra Club and Vamos4PR.*