

## Puerto Rico Electric Power Authority Files for Title III Debt Adjustment

### Financial Oversight and Management Board Certifies Bankruptcy Case Petition and Approves Budget of Several Covered Infrastructure Entities

On July 2nd, the Financial Oversight and Management Board for Puerto Rico (Oversight Board) filed a petition in court on behalf of the Puerto Rico Electric Power Authority (PREPA) to restructure its debt under Title III of the Puerto Rico Oversight, Management and Economic Stability Act (PROMESA). This decision comes after the Oversight Board unanimously certified the Governor of Puerto Rico's petition during its eighth Board Meeting on Friday, June 30th.

The Oversight Board's action allows PREPA to start a debt restructuring process under Title III of PROMESA. This decision by the Oversight Board follows their decision earlier this week not to approve the \$9 Billion Restructuring Support Agreement (RSA) that PREPA had reached with its creditors. One of the reasons the Oversight Board gave for not approving the RSA, was that it would have exponentially increased electricity costs in Puerto Rico, making it harder for the island to get out of its current fiscal emergency. In a statement, the governor said that the purpose of PREPA's Title III filing was to adjust its debt in a way consistent with the liquidity provisions of the Fiscal Plan, and to make sure that there wouldn't be an interruption in PREPA's services. To help with PREPA's development, the government plans to develop energy infrastructure projects through public-private partnerships. Notwithstanding, the Oversight Board continues to negotiate with PREPA's creditors trying to reach a consensual agreement.

In another unanimous vote, the Oversight Board approved PREPA's budget, and gave the government entity forty five (45) days to resubmit an amended fiscal plan and budget for PREPA.



During the Board Meeting, the Oversight Board also approved the budgets of the Government of Puerto Rico, the Puerto Rico Aqueduct and Sewer Authority, the Department of Transportation and Public Works, and the Government Development Bank. The Oversight Board still needs to evaluate the budget and fiscal plan for the Public Corporation for the Supervision and Insurance of Cooperatives of Puerto Rico, and for the University of Puerto Rico, since those budgets and fiscal plans have not been submitted before the Oversight Board yet.

Vidal, Nieves & Bauzá is a corporate law firm with a special emphasis in corporate, transactional, insurance and infrastructure practices.

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