

COMMONWEALTH OF PUERTO RICO  
PUERTO RICO ENERGY COMMISSION



IN RE: PREPA'S ISSUANCE OF BONDS

CASE NO.: CEPR-MI-2016-0005

RESOLUTION

I. Introduction

On March 28, 2016, the Puerto Rico Electric Power Authority ("PREPA") filed before the Puerto Rico Energy Commission ("Commission") an *Urgent Notification of PREPA's Issuance of Bonds*, notifying the Commission of PREPA's intention to issue PREPA Power Revenue Bonds, Series 2016A and 2016B, in the approximate amount of \$111.3 million ("2016 Bonds"). The 2016 Bonds are scheduled to be issued on March 29, 2016 and April 25, 2016, respectively.

In its motion, PREPA argued that the 2016 Bonds are not subject to Commission approval since they are authorized to be issued pursuant to the Restructuring Support Agreement ("RSA") and a certain Bond Purchase Agreement dated January 27, 2016 between PREPA and the *ad hoc* group of PREPA bondholders. In support of its argument, PREPA cites Section 6(o) of Act 83 of May 2, 1941 ("Act 83"), as amended, and Article 6.3(n) of Act 57-2014, as amended, which provide specific exemptions to the requirement for PREPA to seek Commission approval prior to issuing new bonds. PREPA seeks "written confirmation" from the Commission regarding its interpretation of the aforementioned legal provisions.

II. Discussion

a. Applicability of Article 6.3(n) of Act 57-2014

Article 6.3(n) of Act 57-2014 provides that, prior to the issuance of any public debt, PREPA must seek approval from the Commission to ensure that the issuance of said public debt and the use of their proceeds are consistent with PREPA's approved Integrated Resource Plan and the Energy RELIEF Plan. Article 6.3(n) exempts from this requirement bonds issued as a result of a Restructuring Order, as provided in Chapter IV of the PREPA Revitalization Act ("Act 4-2016").

Article 31 of Act 4-2016, defines a Restructuring Bond as a bond which is issued by the PREPA Revitalization Corporation ("Corporation") pursuant to a Restructuring Resolution. The approval of a Restructuring Resolution is subject to the approval of a Restructuring Order by the Commission.<sup>1</sup> According to PREPA's motion, the 2016 Bonds are

<sup>1</sup> See Article 35(b)(i) of Act 4-2016.

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not issued pursuant to a Restructuring Order nor a Restructuring Resolution and are to be issued by PREPA, not the Corporation. Consequently, the 2016 Bonds are not Restructuring Bonds, as such term is defined in Act 4-2016, and, as a consequence, are not covered under the exemption from Commission approval provided in Article 6.3(n) of Act 57-2014.

b. Applicability of Section 6(o) of Act 83

Section 6(o) of Act 83 provides that, with the exception of bonds and other financial instruments related to PREPA's restructuring contemplated in the agreements reached with PREPA's bondholders, PREPA must seek Commission approval prior to issuing any bonds or incurring in any new debt. Distinct from Article 6.3(n) of Act 57-2014, the exemption provided in Section 6(o) of Act 83 is not limited to bonds issued pursuant to a Restructuring Order. The exception also includes debt issued pursuant to agreements reached between PREPA and its bondholders, such as the RSA.

In its motion, PREPA argued that the 2016 Bonds constitute "financing contemplated under the RSA".<sup>2</sup> Aside from the aforementioned, there is no detailed information that suggests otherwise. As such, the Commission finds that the exemption provided in Section 6(o) of Act 83 could apply to the issuance of the 2016 Bonds if said bonds, as well as its terms and conditions, are contemplated in the RSA and do not deviate from the parameters set forth therein.

**III. Conclusion**

Article 6.3(n) of Act 57-2014 and Section 6(o) of Act 83 provide specific exemptions from the requirement that PREPA seeks Commission approval prior to issuing public debt or incurring in new debt. The exemption provided in Article 6.3(n) of Act 57-2014 is not applicable to the 2016 Bonds since said bonds are not Restructuring Bonds issued by the Corporation pursuant to a Restructuring Resolution.

However, the Commission finds that the exemption provided in Section 6(o) of Act 83 could apply to the issuance of the 2016 Bonds if the issuance of said bonds is contemplated in the RSA and its terms and conditions do not deviate from the parameters set forth therein.

Given the limited scope of the aforementioned exemptions, any bonds or debt to be issued by PREPA that are not Restructuring Bonds nor are bonds specifically contemplated in the RSA, must be approved by the Commission prior to its issuance.

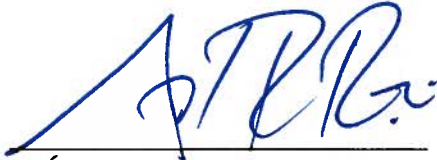
<sup>2</sup> PREPA Urgent Notification, ¶ 8.

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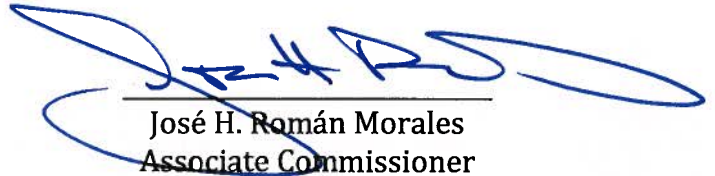
Be it notified and published.



Agustín F. Carbó Lugo  
Chairman

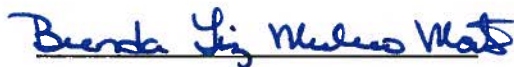


Ángel R. Rivera de la Cruz  
Associate Commissioner



José H. Román Morales  
Associate Commissioner

I certify that the Puerto Rico Energy Commission has so agreed on March 29, 2016. I also certify that on this date a copy of this Resolution was notified via email to n-ayala@aepr.com & n-vazquez@aepr.com.

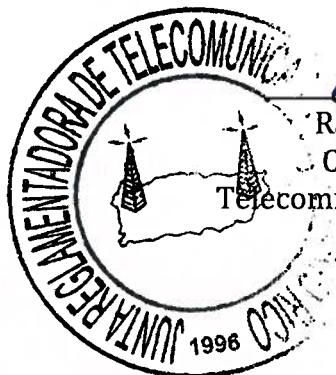


Brenda Liz Mulero Montes  
Interim Secretary

I Certify that the foregoing is a true and exact copy of the Resolution and Order issued by the Puerto Rico Energy Commission. I further certify that on March 30, 2016, I have proceeded with the filing of this Order and I have sent a copy thereof to:

**Puerto Rico Electric Power Authority**  
Attn.: Nélide Ayala and Nitza D. Vázquez Rodríguez  
P.O. Box 364267  
Correo General  
San Juan, PR 00936-4267

For the record, I sign this in San Juan, Puerto Rico, today, March 30, 2016.



Rafael O. García Santiago  
Clerk of the Puerto Rico  
Telecommunications Regulatory Board