

Congress of the United States
Washington, DC 20515

June 13, 2019

The Honorable Thomas Rivera Schatz
President
Senate of Puerto Rico
El Capitolio, Senado
PO Box 9023431
San Juan, P.R. 00902-3431

Dear President Rivera Schatz:

We write to urge you to join us in opposing the Restructuring Support Agreement (RSA) reached on May 3, 2019 between the Puerto Rico Electric Power Authority (“PREPA”), the Puerto Rico Fiscal Agency and Financial Advisory Authority (“AAFAF”), the Financial Oversight and Management Board for Puerto Rico (“FOMB”), the Ad Hoc Group of PREPA Bondholders, and Assured Guaranty Corp. for the restructuring of \$8 billion of legacy debt issued by PREPA. In addition, we respectfully request that you defend the implementation of the affordability and renewable energy goals included in the Puerto Rico Energy Public Policy Act of 2019.

National and local policy experts agree that the new PREPA RSA is excessively generous to creditors.¹ First, while fiscal policy experts recommend reducing Puerto Rico’s overall debt by approximately 80 percent,² the RSA generates a reduction in the principal of the existing PREPA bonds of only 22.5 percent.³ Second, the legacy debt charge that will be added to the amount billed to PREPA’s customers will be higher under the new RSA than under the RSA dated July 30, 2018.⁴ It is unacceptable that after 10 months of additional negotiations to reach a sustainable debt restructuring agreement for PREPA, the residents of Puerto Rico end up with an insufficient reduction in principal and paying higher legacy debt charges in their monthly electricity bill.

¹ Cathy Kunkel & Tom Sanzillo, *Under PREPA’s new debt deal, electricity prices will rise 13% by next summer in Puerto Rico*, INSTITUTE FOR ENERGY ECONOMICS AND FINANCIAL ANALYSIS (May 7, 2019), <http://ieefa.org/ieefa-update-under-prepas-new-debt-deal-electricity-prices-will-rise-13-by-next-summer-in-puerto-rico/>.

² Martin M. Guzman & Joseph E. Stiglitz, *An Analysis of Puerto Rico’s Debt Relief Needs to Restore Debt Sustainability*, NATIONAL BUREAU OF ECONOMIC RESEARCH (Nov. 2018), <https://www.nber.org/papers/w25256>.

³ Sergio M. Marxuach, *PREPA Debt Restructuring 3.0: It is Even Worse Than You Think*, CENTER FOR A NEW ECONOMY (May 2019), <http://grupocne.org/wp-content/uploads/2019/05/PREPA-Debt-Restructuring-3.0-FINAL.pdf>.

⁴ *Id.*

Moreover, the new RSA conflicts with the Puerto Rico Energy Public Policy Act. The law - passed by the current members of the Puerto Rico legislature and signed into law by Gov. Ricardo Rosselló - establishes that:

The energy public policy has the mission to achieve the following initial objectives:

(...)

16) Establish the necessary elements to achieve the People of Puerto Rico's aspiration to have a new Electric System with **rates lower than 20 c/kWh**, and clean, modern, and reliable energy that serves as a foundation for the **sustainable economic development of the Island**.⁵ (emphasis added)

PREPA's customers pay approximately 22 c/kWh and the legacy debt charges in the new RSA would increase prices by up to 21 percent.⁶ It is highly unlikely PREPA will be able to completely offset the legacy debt charges included in the new RSA. Contrary to the Puerto Rico Energy Public Policy Act, the new RSA would cause considerably higher electricity rates for decades to come.

The new PREPA RSA also conflicts with Puerto Rico's goal to grow its economy. The Puerto Rico Energy Public Policy Act recognizes that Puerto Rico's future economic growth depends on achieving affordable energy.⁷ Higher electricity rates are detrimental to the local economy, causing businesses to operate with reduced profit margins, leaving them less able to expand and hire new employees. The new RSA will accelerate the outmigration of businesses and residents, depleting what is left of Puerto Rico's economic foundation.

Additionally, the new RSA directly goes against Puerto Rico's new energy policy of moving towards a more decentralized system and the generation of energy using renewable sources. The Puerto Rico Energy Public Policy Act stipulates that the development of microgrids is an essential component for a decentralized and reliable system that incorporates new technologies and sources of renewable energy.⁸ However, the debt restructuring deal requires customers that generate their own electricity to be subject to the legacy debt charge, unless they are completely and permanently disconnected from the electric system.⁹ The new RSA discourages customers to transition to distributed renewable generation.

For the foregoing reasons, we respectfully request that you join us in opposing the new PREPA RSA and defend the implementation of the affordability and renewable energy goals included in the Puerto Rico Energy Public Policy Act.

⁵ Puerto Rico Energy Public Policy Act of 2019.

⁶ THE FINANCIAL OVERSIGHT AND MANAGEMENT BOARD FOR PUERTO RICO, UNANIMOUS WRITTEN CONSENT APPROVING EXECUTION OF DEFINITIVE RSA OF PREPA (MAY 03, 2019).

⁷ Puerto Rico Energy Public Policy Act of 2019.

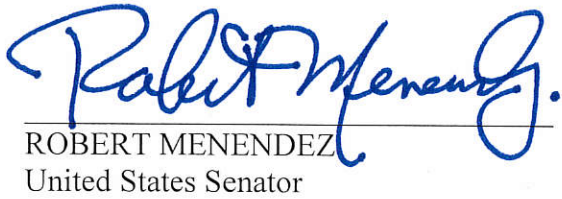
⁸ *Id.*

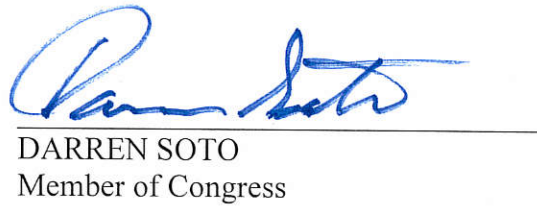
⁹ THE FINANCIAL OVERSIGHT AND MANAGEMENT BOARD FOR PUERTO RICO, UNANIMOUS WRITTEN CONSENT APPROVING EXECUTION OF DEFINITIVE RSA OF PREPA (MAY 03, 2019).

Sincerely,


RAÚL M. GRIJALVA
Member of Congress

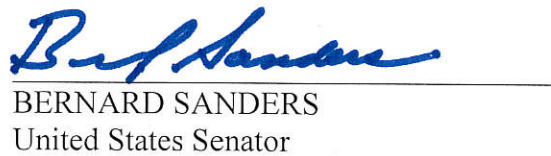

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Member of Congress


ROBERT MENENDEZ
United States Senator

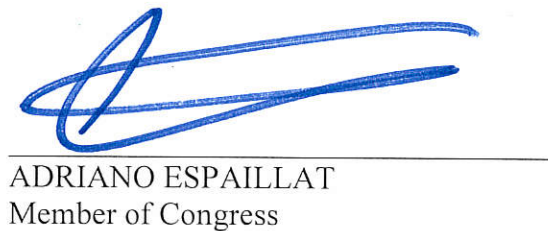

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Member of Congress

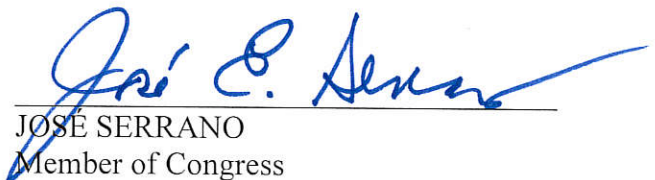

JESÚS "CHUY" GARCÍA
Member of Congress

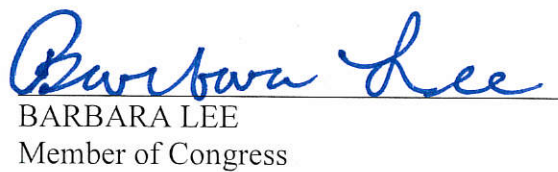

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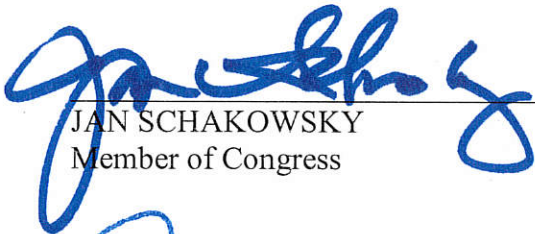
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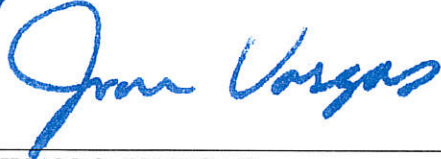
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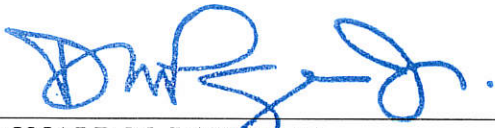
ALEXANDRIA OCASIO-CORTEZ
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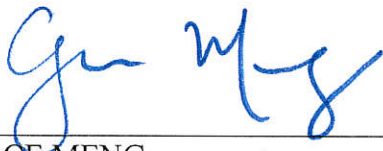
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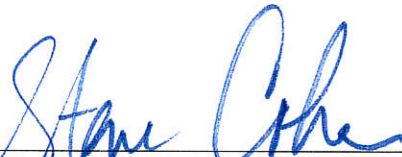
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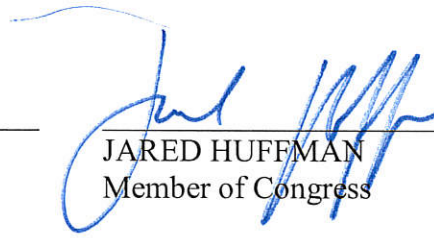
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