

Statement for the Record

**Submitted by Assured Guaranty, GoldenTree Asset Management,
National Public Finance Guarantee Corp. and Syncora Guarantee
as Holders and Insurers of PREPA Revenue Bonds**

Before the:

**U.S. House Committee on Natural Resources Subcommittee on
Indian and Insular Affairs**

**Hearing Entitled “Examining Puerto Rico’s Electrical Grid and the
Need for Reliable and Resilient Energy”**

September 26, 2024

Madam Chairman, Ranking Member and other members of the Subcommittee, thank you for hosting this hearing today and for letting us make a statement regarding PREPA's operational deficiencies, which continue to plague the people of Puerto Rico, disrupting their lives, families and businesses, and undermine growth island wide.

We believe that the mismanagement of PREPA's now-prolonged Title III bankruptcy case by the Financial Oversight & Management Board ("FOMB") is a significant contributor to PREPA's plight.

PREPA revenue bondholders stand ready to do their part to bring PREPA's Title III bankruptcy case to a prompt end, to conclude FOMB oversight and put PREPA back under local control, and to provide fresh capital to jump-start the process of doing what needs to be done to improve PREPA's operations and bring reliable electricity to the people of Puerto Rico.

We believe that this can be achieved using electricity rates that are below the FOMB's target affordability metrics for the people of Puerto Rico and provide them with 50 years of rate protection.

1. PREPA's well-documented failure to reliably deliver electricity to the people of Puerto Rico is a direct consequence of the inability or unwillingness of the FOMB to bring PREPA's Title III bankruptcy case, which now stands at seven years and counting, to a reasonable consensual conclusion, as intended by Congress when it passed PROMESA.

- Rather than focusing on what needs to be done to reliably provide electricity to the people of Puerto Rico, the FOMB has instead caused PREPA to waste hundreds of millions of dollars on lawyer and advisor fees fighting an ill-conceived and unsuccessful war of attrition against the very lenders who have already invested over \$8 billion of capital into PREPA and who are the most likely source of essential future funding.
- Unable to access the capital markets because of PREPA's prolonged bankruptcy or the billions of allocated FEMA and HUD funding, the FOMB recently announced that PREPA must now embark on an unprecedented search for alternative sources of financing to fund its pressing, immediate capital requirements.
- However, like all other utilities in the United States, access to the capital markets is vital to PREPA's ability to operate reliably and to fulfill

consumer needs. We are convinced that, without such access, PREPA's performance will only continue to deteriorate, endangering Puerto Rico's economic recovery. Recent history supports this view.

- The longer this bankruptcy drags on and PREPA cannot access capital markets, the more the people of Puerto Rico will suffer from blackouts and unreliable electricity service.
- The FOMB seems impervious to this reality, focusing instead on extending its own existence and trying to punish the very investors who have already contributed more than \$8 billion of capital to PREPA.
- The sad truth is that the people most harmed by the FOMB's actions are the residents of Puerto Rico.
- Refusing to bring the PREPA bankruptcy to a reasonable conclusion by agreeing to pay existing investors amounts that PREPA can reasonably afford (not more and not less), is a sure-fire way for the FOMB to prevent PREPA from being able to attract the new capital necessary for a turnaround. It will also jeopardize the future prosperity of Puerto Rico and its people.
- The FOMB's actions are at odds with the objectives of PROMESA, and are needlessly delaying the day when –
 - PREPA will be able to provide more reliable and resilient electricity to the people of Puerto Rico,
 - PREPA's access to capital markets can be fully restored, and
 - Puerto Rico can be freed of FOMB oversight.

2. PREPA's Title III bankruptcy case has dragged on due to the FOMB's insistence on relying on stale financial projections that paint an unrealistically bleak picture of Puerto Rico's future.

- Over the past eight years, the FOMB has consistently produced fiscal projections that understated the economic reality in Puerto Rico. In doing so, the FOMB has undermined its own credibility with PREPA's stakeholders, crippling its efforts to end the bankruptcy.

- Perhaps that is why, as of today, the FOMB has refused to authorize the release of a 2024 fiscal plan for PREPA; one which everyone knows should reflect the material improvements that have continued to occur in the Puerto Rican economy overall and in electricity consumption over the outdated 2023 fiscal plan that lacked credibility.
- By simply updating the FOMB's financial projections, and working cooperatively with the PREPA revenue bondholders, PROMESA's goals for PREPA can be achieved without burdening ratepayers.

3. There is a better path forward.

- Certain PREPA revenue bondholders are prepared to lead a significant investment of new capital into PREPA to assist it in taking immediate measures to create a more reliable and durable power grid for the people of Puerto Rico.
- Such PREPA revenue bondholder funding would be used to bring about an immediate end to PREPA's Title III bankruptcy case, to fund urgent capital projects required to improve grid reliability and to accelerate PREPA's use of already allocated FEMA and HUD funds.
- To facilitate this outcome, PREPA would only make payments in respect of its existing \$8.5 billion of bonds at a level that PREPA can reasonably afford—not more and not less—and would have virtually no risk of default for at least 50 years.
- In other words, certain PREPA revenue bondholders are prepared to invest significant amounts of fresh capital in PREPA on terms that will ensure that PREPA never again defaults on its obligations to its creditors or, more importantly, to its customers, the residents of Puerto Rico.
- And these PREPA revenue bondholders are committed to getting this done on an affordable basis for the people of Puerto Rico, using electricity rates that are below the FOMB's own targets and providing 50 years of rate protection.
- What is the FOMB waiting for?

Thank you. We stand ready to answer any questions the committee may have.