



official statement

PUERTO RICO FISCAL AGENCY AND FINANCIAL ADVISORY AUTHORITY

June 25, 2023

Statement by AAFAF executive director Omar Marrero on the certification of the latest Puerto Rico Electric Power Authority fiscal plan:

Last Friday, the Puerto Rico Financial Oversight and Management Board (the "Board") certified a new fiscal plan for the Puerto Rico Electric Power Authority ("PREPA") that reflects that market trends and projections point to a substantial reduction in PREPA's projected energy consumption and revenues (the "Fiscal Plan"). This reality results in a significant decrease in PREPA's ability to pay its debt. Hence, as acknowledged by the Board in the briefing motion filed last night in federal court, it also significantly decreased the room available to impose fees on consumers for debt service. Although the Board did not indicate with specificity the changes to the legacy charge that it will propose, it acknowledged that the legacy charge will be reduced to remain within affordability parameters.

In the informational motion, the Board gave notice of its intention to amend PREPA's plan of adjustment ("Plan") and provided a summary of the amendments it believes are necessary to the Plan to conform it to the Fiscal Plan. At present, the Government of Puerto Rico ("Government") is carefully evaluating the list of proposed amendments to the Plan to determine whether they are consistent with the Government's public policy-particularly considering the Fiscal Plan recently certified by the Board.

Governor Pierluisi's administration is committed to completing the restructuring of PREPA's debt and transforming Puerto Rico's energy system to a resilient and reliable one. To that end, the Government has insisted that any

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PREPA adjustment plan must be affordable, feasible and sustainable, preserving the statutory mandate and the power of the Puerto Rico Energy Bureau (NEPR). Let us also remember that Genera PR is coming to achieve savings and will be paid based on that. Therefore, this would mean a reduction in PREPA's operating expenses, another issue that the NEPR, which is the entity that will decide how much will be paid for the electric energy service, will have to analyze at the appropriate time.

The Fiscal Plan highlights the dynamic nature of the elements necessary to ensure a reliable energy system. This only goes to show why the role of the Bureau, as an independent regulator, must be respected in any adjustment plan to be confirmed. The NEPR's expertise and power to oversee PREPA's budgets, tariffs and rate structure are crucial to address the ever-changing landscape of the energy sector.

The Government will continue to make every effort to (1) minimize the impact of any approved adjustment plan on electricity rates, and (2) avoid imposing an undue burden on Puerto Rico's residents and businesses ensuring PREPA's long-term viability.

The importance of restructuring PREPA correctly is paramount. We have an opportunity to shape the future of Puerto Rico's energy sector and Puerto Rico in general, but this can only be achieved if the adjustment plan is affordable, feasible and sustainable, while respecting the NEPR's role in setting future rates and approving rate structures. After all, it is the Bureau that is solely responsible for ensuring the capacity, reliability, safety, efficiency and rate reasonableness of the electric system in Puerto Rico.

We are confident that the Board will soon amend the Plan of Adjustment that is before the Federal Court for consideration.



Governor Pierluisi's Administration remains committed to ensuring that the restructuring and transformation of PREPA will promote fiscal stability and economic growth for Puerto Rico, its residents, businesses and industries.



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