

# **P** R E S S R E L E A S E

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## **ELECTRIC POWER AUTHORITY RECEIVES REAFFIRMATION OF CREDIT FROM MOODY'S AND OBTAINS AN A- RATING FROM FITCH FOR THE FIRST TIME**

The Puerto Rico Electric Power Authority (PREPA) received a reaffirmation of its A3 rating from Moody's Investors Service with an outlook improvement to stable in preparation for the coming bond issue of this public corporation. At the same time, PREPA was evaluated for the first time by Fitch Ratings, receiving an A- rating with stable outlook, informed the chairman of the Government Development Bank Board of Director, Alfredo Salazar.

Moody's decision to improve PREPA's Outlook from negative to stable is a recognition of PREPA's operating strengths that have allowed it to remain isolated from the problems related to the fiscal crisis affecting the Commonwealth government, the report states. The A3 credit rating reflects PREPA's capacity to keep a solid debt service coverage.

Moody's also reaffirmed the A3 rating for PREPA's outstanding \$5.2 billion revenue bonds. The credit rating incorporates the stable debt service coverage trend, track record of improvement in system reliability and strategic focus on power resource diversity, the report states.

The affirmation of this rating by Moody's took into consideration the potential impact on the credit of the December 30, 2006 fires in the Palo Seco 602 MW station and the mitigation strategies used by PREPA to minimize said impact.

On the other hand, Fitch Ratings, one of the three principal rating agencies worldwide established in 1913, assigned an A- rating with stable outlook to PREPA's coming bond issue, as well as to its \$5.2 billion in outstanding revenues bonds.

"For the first time this public corporation will go to the U.S. municipal market with three ratings, including Standard & Poor's (BBB+ with stable outlook). This strategy responds to a decision to offer investors an additional perspective of the credit of this public corporation. Now, having two ratings in the "A" category, we will go to the market with a stronger position to obtain the best cost for the issue and generate greater savings for the government," Salazar said.

Last February S&P also revised its rating for PREPA eliminating the credit alert and negative outlook on which it had placed the public corporation after the Palo Seco fires. This decision was the result of the good job done by PREPA to show that this incident would have no impact in the agency's financial performance.

PREPA's Executive Director, Jorge Rodríguez, expressed his satisfaction for this achievement. "This represents a decisive impulse for the plan that we are developing to reach our principal objective, that is: reducing our dependency on oil, diversify our source of fuel, increase the Authority's efficiency and productivity so that our clients can pay less for the electricity we provide them," Rodríguez said.

The A- rating of Fitch reflects the following strengths of PREPA: a sound management that benefits from a governance structure that has proven track record of operating independently from the Commonwealth central government; a diverse and growing customer base and economy; a reasonable power supply strategy focused on improving fuel diversity (reduce dependence on oil-fired generation); and the recently completed upgrades to the transmission and distribution systems to improve system reliability

The new funds generated by the bonds will be invested in PREPA's Capital Improvements Program, on which during the next five years the Authority plans to invest \$2.2 billion to be financed 80% by debt issued and 20% by internal resources.

Through a syndicate with JP Morgan as lead manager, PREPA plans to issue approximately \$1.6 billion by mid April to generate 660 million in new money and refinance part of the existing debt at a lower interest rate.

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