

PUERTO RICAN BUSINESS GROUPS FILE LEGAL CHALLENGE TO HIKE IN ELECTRIC RATES FORCED BY PREPA RESTRUCTURING DEAL

Widespread Opposition to “An Unnecessary and Direct Hit to Puerto Rico’s Already Struggling Economy”; Warning: “No-Limit” Rate Scheme Could “Unravel” Debt Restructuring Plan.

(SAN JUAN) -- **August 18, 2016** -- A group of nine leading Puerto Rico industry and business associations are joining in an unprecedented legal challenge to a Puerto Rico Energy Commission (PREC) move to impose the first in a series of unlimited, “blank check” rate increases under the controversial debt-restructuring agreement for Puerto Rico Electric Power Authority (PREPA).

Available online at www.icsepr.org, the filing -- made jointly by the Institute for Competitiveness and Sustainable Economy of Puerto Rico, the Puerto Rico Manufacturers Association, the United Retailers or “Centro Unido de Detallistas,” the Puerto Rico Products Association, the Chamber of Marketing, Industry and Food Distribution (MIDA), Puerto Rico Hospitals Association, the Puerto Rico Hotel & Tourism Association, the Asociación de Constructores de Puerto Rico, and the Association of Contractors and Consultants of Renewable Energy -- seeks to block the rate hike that hinders the already weakened Puerto Rico economy and could unravel the PREPA debt deal.

If allowed to proceed, the initial 22 percent rate increase would be one of the largest in recent U.S. history to be imposed on a state-wide or territory-wide basis. The June 2016 order by the Puerto Rico Energy Commission provided for a new surcharge to service the \$9-billion PREPA debt restructuring. PREPA requested that the complete financial cost of the restructuring is passed to the Puerto Rico energy consumers plus an additional increase on the base rate. PREPA is seeking to raise electricity prices by 22 percent in the first year of the plan or 4.2 cents/KWh, increasing the rates from 16.5 cents/kWh to 20.1 cents/kWh in 2017. The order also imposes the surcharges to energy generated by the consumer, “behind-the meter” generation, as renewable energy or other distributed generation means as co-generation.

“As approved, these charges are an unnecessary and direct hit to Puerto Rico’s already struggling economy,” said Tomas Torres, coordinator for ICES-PR. **“It also goes against national and international market trends toward expansion of renewable energy and distributed generation. If electricity rates are allowed to continue to increase, and options for establishing own generation are blocked with excessive surcharges, production costs would considerably rise and Puerto Rico will lose competitiveness in the manufacturing and other important sectors of our economy, with fewer options for economic development.”**

Rodrigo Masses, president, Puerto Rico Manufacturers Association, said: **“None of us are against the restructuring of PREPA or a well-structured process that results in the long term benefit to all parties. Wall Street investors need to understand that short-term measures may result in an excessive financial burden resulting in the unraveling of the proposed restructuring process; and the financial banning of renewable and distributed energy, will not provide a medium- or long-term solution.”**

Luis Garden Acosta, president of El Puente and the Latino Climate Action Network, noted that Puerto Rico electricity rates are higher than anywhere on the U.S. mainland and said that PREPA’s refinancing is occurring at the expense of Puerto Rican consumers and Puerto Rico’s struggling economy. Acosta said: **“The world is united in demanding that we all put aside our political ideologies and our immediate self-interest to work collectively to save our planet. Sadly, by their actions, PREPA stands as an institutional climate change denier. Their voice is demonstrably clear in calling for a plan that creates**

obstacles for communities and individuals to adopt solar, wind and other sustainable, renewable energy resources.”

Garden cited [recent research by the Institute for Energy Economics and Financial Analysis](#) (IEEFA) concluding that the refinancing was not done transparently and that it fails to achieve its stated goal of achieving financial stability for PREPA.

Tom Sanzillo, director of finance, IEEFA said: **“Each quarter PREPA will be able to raise the Transition Charge without limit if conditions change. We have identified several conditions that are likely to change and drive the rate upward and create a blank check for rate increases. PREPA has stated that it is reducing debt levels, it is saving money and that their plan is the best plan possible. We do not agree that a plan that sends electricity rates back up at a time when even fossil fuel generation is cheaper is a good course. From a strictly financial perspective – PREPA’s plan does not provide it with a path to re-enter the bond markets in order to fund its future. This plan leaves Puerto Rico in the shadows of a bad debt deal for the next 25 years and shuts it off from the sunlight that could power its future.”**

Edward Previdi, president, Association of Contractors and Consultants of Renewable Energy, said: **“The Puerto Rico Energy Power Authority is launching a direct attack on renewable energy generation as well as any other form of auto-generation such as co-generation, fuel cells, etc. ... Thousands of jobs, including those created by the construction and upkeep of green projects as well as jobs saved in businesses that are benefiting from net metering are being threatened right now by these retrograde measures taken by PREPA to protect their failing monopoly on electrical energy. We will fight these unjust charges at all venues available to assure that Puerto Rico stays in the World’s mainstream of renewable energy production goals.”**

Carlos Nieves, director of servicing, District Council 9 Painters & Allied Trades, said: **“When we knew about the renewable energy surcharge and the related rates increases that will be imposed in Puerto Rico, equal to approximately 20 percent of their current rate, to back-up a \$9 billion debt restructuring process of the power utility, we cannot give them our support and solidarity. Those kind of things would not happen in the States. This seems to be an injustice being committed against 3.4 million of American citizens on the island.”**

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EDITORS’S NOTE: A streaming audio replay of this news event will be available by 4 p.m. EDT on August 18, 2016 at www.icsepr.com.

The Institute for Competitiveness and Sustainable Economy of Puerto Rico (ICSE-PR) is governed and founded by industrial leaders Waleska Rivera, Carlos River-Velez and José Rossi. ICSE-PR’s efforts are focused on the Intervention processes of the Puerto Rico Energy Commission and the capacity building of other non-governmental organizations (NGOs) as intervenors in the PREC review process of the Puerto Rico electrical system Integrated Resources Plan (IRP) to (a) achieve the lowest sustainable base electrical energy cost for Puerto Rico, and (b) convince investors that Puerto Rico has an independent, modern, non-partisan regulatory energy framework with a forward-looking plan that merits private investment.

The Cleveland-based Institute for Energy Economics and Financial Analysis conducts research and analyses on financial and economic issues related to energy and the environment. The Institute’s mission is to accelerate the transition to a diverse, sustainable and profitable energy economy and to reduce dependence on coal and other non-renewable energy resources.