

Puerto Rico Electric Power Authority (PREPA): History and Finances

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Puerto Rico Electric Power Authority (PREPA): History and Finances

The finances and operations of the Puerto Rico Electric Power Authority (PREPA)—a public power utility owned by the Commonwealth of Puerto Rico—have attracted serious concern for many years. High electricity prices and the unreliability of the electricity grid resulting from underinvestment in and poor maintenance of the island’s generation, transmission, and distribution infrastructure have hindered the island’s economy and the well-being of its residents.

Public corporations have been central to Puerto Rico’s economic development and have issued most of Puerto Rico’s public debt. In 2014, frustration with PREPA led Puerto Rico to enact an energy policy reform (ALIVIO; Act 57-2014). At the time, PREPA was struggling to pay its fuel costs. In August 2014, it reached an agreement with creditors to maintain its access to fuel and accepted an outside manager. Federal courts struck down a 2014 local bankruptcy law that sought to reduce PREPA’s debts. In 2015, the Puerto Rican governor stated that its debts were “unpayable.”

In 2016, the Puerto Rico Oversight, Management, and Economic Stability Act (PROMESA; P.L. 114-187) established a Financial Oversight and Management Board (FOMB or Oversight Board) and two processes (Titles III and VI) to restructure Puerto Rico’s public debts, including the \$9 billion PREPA owed. The Title III process draws on the U.S. Bankruptcy Code. The Title VI process resembles sovereign debt workouts. In July 2017, the Oversight Board rejected the existing agreement with creditors and initiated a Title III debt restructuring process. While major portions of the island’s debts have been restructured, PREPA’s debt restructuring process continues.

In September 2017, Hurricanes Irma and María hit Puerto Rico and exposed widespread weaknesses in PREPA’s operations. Most of the island remained without electric power for months afterward. In 2020, earthquakes and the COVID-19 pandemic created new challenges and delayed the debt restructuring process. Congress provided substantial funding for PREPA’s recovery and rebuilding. The recovery and rebuilding effort of the island’s energy infrastructure have involved many Puerto Rican public entities and several federal agencies.

In 2018, Puerto Rico enacted a measure to privatize PREPA’s grid and its power generation assets. LUMA, a U.S.-Canadian joint venture, took over the grid in June 2020. In July 2023, Genera PR, a unit of New Fortress Energy, began operating PREPA’s non-hydropower generation plants. Jenniffer González Colón, Puerto Rico’s governor since her January 2025 inauguration, has sought to end LUMA’s contract, which engendered several lawsuits. LUMA claims it has made progress, but blackouts remain frequent. In July 2025, LUMA petitioned the Puerto Rican Energy Board (PREB) to conduct a new rate review. PREB issued a new rate tariff in April 2026.

In 2019, the Oversight Board negotiated a third proposed agreement within the Title III process with creditors and Puerto Rican officials, which envisioned swapping old PREPA debt for two sets of new bonds, special treatment for certain insured bonds, and a transition charge applied to all electricity consumers. In 2022, however, negotiations stalled. In December 2022, the Oversight Board proposed a plan offering \$2.6 billion to creditors. In March 2023, the Title III district court held that creditors’ claims were severely limited. In June 2024, a federal appeals court held that creditors had a secured interest in PREPA’s net revenues. In March 2025, the Oversight Board issued a new proposal. Creditors asked to file an administrative expense claim that was denied, but has been appealed. In April 2026, the Title III court allowed a narrow claim to proceed to determine what net revenues PREPA had earned. In June 2026, the Oversight Board proposed another plan, which creditors rejected.

In August 2025, the President attempted to dismiss six of the seven Oversight Board members. A federal judge issued a restraining order, holding that the board members “have never been properly removed from office.”

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Introduction

The Puerto Rico Electric Power Authority (PREPA), the largest public corporation in Puerto Rico, serves about 1.5 million customers. Although it is one of the largest U.S. electric utilities, it supplies less than half the power of a similarly large mainland utility.¹ High electricity prices and the unreliability of the power supply resulting from deterioration of the island's generating and transmission infrastructure have hindered the island's economic development prospects and the well-being of its residents in recent decades.

PREPA's fiscal condition reflects that of Puerto Rico's other public corporations. Public corporations have been a cornerstone of Puerto Rico's economic development strategy since the 1940s. Much of Puerto Rico's public debt was issued by its public corporations, and their finances have been one of the island's major financial challenges. Transfers from Puerto Rico's general fund or new debt issuances were often used to cover shortfalls or debt service payments of public corporations in past years, thus blurring lines of fiscal responsibility.

PREPA's finances and operations have raised serious concern for many years, with critics citing a lack of investment, deferred maintenance, and operational challenges.²

In 2014, PREPA, unable to meet fuel costs, negotiated a restructuring support agreement (RSA) with fuel line creditors. An attempt to establish a local bankruptcy law in the absence of access to federal bankruptcy processes was rejected by federal courts. Congress held several hearings to consider how to address Puerto Rico's public debts.

In June 2016, Congress passed the Puerto Rico Oversight, Management, and Economic Stability Act (PROMESA; P.L. 114-187). PROMESA established a Financial Oversight and Management Board (FOMB or Oversight Board) and two processes to restructure Puerto Rico's public debts, one drawing on the U.S. Bankruptcy Code, the other following sovereign debt workouts.

On July 2, 2017, the Oversight Board rejected the previous RSA framework and initiated a PROMESA Title III process to restructure PREPA's \$9 billion debt.³ PROMESA charges the Oversight Board with representing components of Puerto Rico's public sector before the Title III court. While the restructuring of two major portions of the island's debts has been completed, PREPA's debt restructuring process remains ongoing.

In September 2017, Hurricanes Irma and María hit Puerto Rico and exposed widespread weaknesses in PREPA's capacity to respond to operational and financial challenges. Most of the island was left without electric power for months after the hurricanes.⁴ Other events, including earthquakes, the COVID-19 pandemic in 2020, and Hurricane Fiona in 2022, created additional challenges and caused delays in the debt restructuring process. In 2018, Puerto Rico chose to privatize PREPA's electric power transmission and distribution system and its power generation systems.

¹ U.S. Energy Information Agency (EIA), "Puerto Rico Overview," March 20, 2025, <https://www.eia.gov/states/RQ/analysis>.

² In Spanish, the Autoridad de Energía Eléctrica (AEE). Puerto Rico Energy Bureau (PREB), *PREPA Rate Review*, case NEPR-AP-2023-0003, Resolución y Orden Final—Resumen Ejecutivo [Resolution and Final Order: Executive Summary], April 15, 2026, p. 2.

³ FOMB, "Petition for Relief on Behalf of PREPA," July 2, 2017, <https://cases.primeclerk.com/puertorico/Home-DownloadPDF?id1=NzA4NjU1&id2=0>.

⁴ Hurricane Irma passed along the north side of Puerto Rico on September 7, 2017. Hurricane María crossed Puerto Rico on September 20, 2017.

This report presents a short history of PREPA and its role in Puerto Rico, and discusses factors responsible for the utility's financial and operational difficulties. Other CRS products discuss technical aspects of PREPA's assets and operations, as well as the progress of disaster recovery after the 2017 hurricanes.⁵ This report does not describe details of litigation stemming from the privatization of Puerto Rico's electrical power grid.⁶

Basic Challenges Facing PREPA

Technical Challenges

Electric power systems on islands face numerous technical challenges. Unlike mainland electric power systems, island systems typically lack connections to larger power grids. The lack of wider grid interconnection requires more generation capacity to meet peak loads. Island systems must have natural gas delivered by sea, not pipeline.

Puerto Rico's geography presents other challenges.⁷ The south coast is more sheltered from Atlantic storms and hurricanes and thus more suitable for fuel shipments. Most power demand for electricity comes from San Juan and other north coast locations. Power lines that connect generation on the south coast (**Figure 1**) with consumers on the north coast must either cross Puerto Rico's mountainous interior (**Figure 2**) or circle around the east or west sides of the island. Moreover, power lines running along the east coast of the island are vulnerable to Atlantic storms and hurricanes. The tropical climate intensifies the task of clearing vegetation from power lines. Low population density in many areas means that power lines must extend farther between customers.

Figure 1. PREPA Aguirre Power Generation Complex, February 2018



Source: Author.

Notes: The Aguirre power generation complex is about 30 miles east of Ponce, Puerto Rico's second-largest city.

⁵ For example, see CRS Report R45263, *Puerto Rico—Status of Electric Power Recovery*, by Richard J. Campbell.

⁶ Congressional clients may contact the author for further information.

⁷ See CRS Report R45023, *Repair or Rebuild: Options for Electric Power in Puerto Rico*, by Richard J. Campbell, Corrie E. Clark, and D. Andrew Austin.

Figure 2. Power Distribution Line in Mountains Southeast of Utuado, Puerto Rico, February 2018



Source: Author.

Management Challenges

PREPA's precarious financial condition complicates its bargaining power in negotiations with potential suppliers. Fuel supply contracts typically extend for years, if not decades. The involvement of myriad public agencies has also complicated planning and operations. The island's energy policies have involved many parts of Puerto Rico's public sector and many parts of the federal government, including the U.S. Treasury, the Department of Energy, the Department of Housing and Urban Development, the Environmental Protection Agency, the Army Corps of Engineers, the Federal Emergency Management Administration, the White House, Congress, federal courts, and the Oversight Board established by PROMESA.

Puerto Rico now has a tripartite electrical system. Three parties, LUMA, Genera, and PREPA itself, manage PREPA's assets. In addition, independent power companies own and operate power generation plants that supply power to the grid, and some cooperatives provide electric power to select customers. High turnover rates among top executives of LUMA, Genera, and PREPA have complicated planning, coordination, and operations.⁸ The LUMA CEO, according to the Puerto Rican Energy Board (PREB), characterized the LUMA-PREPA relationship as "dysfunctional."⁹

Economic Challenges

PREPA faces nontechnical challenges as well. Median household income in Puerto Rico is below the U.S. average, so electric bills there may raise affordability concerns. The desire to avoid raising electric rates that would further strain those budgets, according to some, resulted in delayed maintenance and lack of new investment. A 2016 report noted that PREPA had not raised rates since 1989, leading to a persistent gap between revenues and costs. Borrowing to cover that

⁸ Puerto Rico Energy Bureau (PREB), *Final Resolution and Order on Electricity Rates*, case NEPR-AP-2023-0003, April 15, 2026, ch. 1, p. 4, <https://energia.pr.gov/wp-content/uploads/sites/7/2026/04/20260415-AP20230003-Final-Resolution-and-Order.pdf>.

⁹ PREB, *Final Resolution and Order on Electricity Rates*, case NEPR-AP-2023-0003, April 15, 2026, ch. 8, p. 30.

gap resulted in an accumulation of debt that became unsustainable.¹⁰ The delayed maintenance and investment shortfalls have left PREPA's assets in critical condition, complicating ongoing planning and recovery efforts.¹¹

Going forward, Puerto Rico's electrical energy systems will face new challenges. Forecasts of electricity demand expect total consumption will decrease due to outmigration, slowing of economic activity, efficiency improvements, and household generation such as rooftop solar installations.¹²

PREPA's History Up to 2014

Origins of PREPA

Various private operators, starting in 1893, set up the earliest electric power systems on Puerto Rico. The South Coast Irrigation Service, created in 1908, developed hydroelectric generation plants mainly to support irrigation and agriculture.¹³ Generation capacity expanded during the 1920s and 1930s, with the addition of hydroelectric generation units, as electricity demand expanded from sugar processing centers to wider areas of the island. In 1925, the Puerto Rico legislature established a public power authority, the Utilización de las Fuentes Fluviales (UFF; Utilization of Water Resources), to extend electric power to rural areas.¹⁴ More capacity was added with the help of the Puerto Rico Reconstruction Administration—a New Deal agency set up during the Administration of President Franklin D. Roosevelt (FDR). In 1937, UFF purchased a private utility that served the south coast city of Ponce, taking a first step toward consolidating a hydro-electric power system mostly serving rural areas with privately owned, oil-fired power systems. In 1938, Congress approved a law (P.L. 75-745; 52 Stat 1203) to allow Puerto Rico to

¹⁰ Stephen G. Hill, *Expert Report*, In Re: PREPA Rate Review, PREC, case CEPR-AP-2015-0001, November 21, 2016, <https://energia.pr.gov/wp-content/uploads/sites/7/2016/11/Hill-Report-Final-11-21.pdf>.

¹¹ PREB, *Resolution and Final Order, Executive Summary*, case NEPR-AP-2023-0003, April 15, 2026, p. 2, <https://energia.pr.gov/wp-content/uploads/sites/7/2026/04/20260415-AP20230003-Resolucion-Resumen-Ejecutivo-1.pdf>. “El sistema eléctrico de Puerto Rico continúa en condiciones críticas en todos sus componentes -generación, transmisión, distribución y subestaciones—como resultado de décadas de falta de inversión, mantenimiento diferido y retos operacionales. El sistema eléctrico enfrenta altas tasas de fallas, insuficiente capacidad de generación, deterioro generalizado de la infraestructura y riesgos persistentes de interrupciones, incluyendo la necesidad continua de relevo de carga y vulnerabilidad a fallas a gran escala. [All components of the electrical system of Puerto Rico remain in critical condition—generation, transmission, distribution and substations—as a result of lack of investment over decades, deferred maintenance and operational challenges. The system faces high rates of power failures, insufficient generation capacity, generalized deterioration of the infrastructure and persistent risks of interruptions, including the continued necessity of load shedding and vulnerability to large scale blackouts.]”

¹² Oversight Board, *2025 PREPA Certified Fiscal Plan*, February 6, 2025, pp. 87-95, <https://drive.google.com/file/d/1WksRhtfmoLvaZFb-5pUNkFXGEiT3t6vp/view>. Also see PREB, *Final Resolution and Order on Electricity Rates*, case NEPR-AP-2023-0003, April 15, 2026, <https://energia.pr.gov/wp-content/uploads/sites/7/2026/04/20260415-AP20230003-Final-Resolution-and-Order.pdf>, ch. 7, p. 14. PREB accepted LUMA forecasts predicting electricity consumption would decrease from 17.5 GWh in 2024 to 15.2 GWh in 2028.

¹³ Eugenio Latimer Torres, *Historia de la Autoridad de Energía Eléctrica: Implantación de los Sistemas de Luz y Fuerza en Puerto Rico 1893-1993* (First Publishing, 1997). Also see PREPA, “A Sketch of Our History,” http://www.prepa.com/historia_eng.asp. See as well Thomas Hibben and Rafael Pico, *Industrial Development of Puerto Rico and the Virgin Islands of the United States: Report of the U.S. Section, Caribbean Section*, July 1948, pp. 188-193.

¹⁴ Act 60-1925, enacted July 28, 1925, <https://bvirtualogp.pr.gov/ogp/Bvirtual/leyesreferencia/PDF/2/0060-1925.pdf>. Also see “History of the Puerto Rico Electric Power Authority,” *Encyclopedia of Puerto Rico*, May 23, 2021, <https://en.encyclopediapr.org/content/history-puerto-rico-power-authority/>.

establish public corporations. Bonds issued by the public corporations were not to be considered a debt of Puerto Rico.¹⁵

Public Electric Utility Established during World War II

When World War II began, the federal authorities saw a need to bolster military facilities in Puerto Rico, including greater electric power generating capacity. Local political leaders also sought to expand electrification beyond sugar mills and a few urban areas to the whole island.

Both Luis Muñoz Marín, founder of the Popular Democratic Party, and Rexford Tugwell, the wartime governor, supported the expansion of public corporations as a means of economic development. The New York Power Authority, which Franklin D. Roosevelt created in 1931 while New York State governor, and the Tennessee Valley Authority, created during the first 100 days of Roosevelt's presidency, served as models for the creation of a public corporation to make electricity widely available across Puerto Rico.¹⁶

In 1941, Muñoz Marín was elected president of the Puerto Rican Senate and sought to implement a program of social and economic reforms.¹⁷ In May 1941, the Puerto Rican legislature created the Puerto Rico Water Resources Authority (PRWRA)—the predecessor of PREPA—with the aim of consolidating existing power operators into an integrated publicly owned utility.¹⁸ Later that year, Tugwell, a leading figure in various New Deal initiatives in the 1930s, was appointed governor of Puerto Rico.¹⁹ In July 1942, the Federal Works Agency, at Governor Tugwell's urging, used war powers authorities to expropriate assets of remaining private power operators that served the larger cities.²⁰ The Federal Works Agency then transferred those assets to the Water Resources Authority, which became responsible for their operation.²¹ That consolidation of the electrical system created a basis for universal urban service and rural electrification.

Operation Bootstrap and Growing Postwar Economy

After the end of World War II, Puerto Rico resumed its efforts to strengthen and diversify its economy. In 1947, the Puerto Rican legislature enacted Operation Bootstrap, a program of industrial incentives including a broad exemption from various taxes aimed at attracting private

¹⁵ José L. Bolívar Fresneda, "El Banco de Fomento de Puerto Rico y las Primeras Emisiones de Bonos de la Autoridad de las Fuentes Fluviales 1941-1948," *Revista De Ciencias Sociales*, vol. 19, pp. 100-127, 2008, <https://revistas.upr.edu/index.php/rcs/article/view/7419>. ["The Puerto Rico Bank of Development and the First Issuances of Bonds of the Hydropower Authority"].

¹⁶ Act of April 27, 1931, ch. 772, 1931 N.Y. Laws 1645, codified as N.Y. Pub. Auth. Law §§1000 et seq. (McKinney 2026), and P.L. 73-17; 16 U.S.C. §§831 et seq.). For a comparison of rural electrification in the United States and in Puerto Rico, see Geoff G. Burrows, "The New Deal in Puerto Rico: Public Works, Public Health, and the Puerto Rico Reconstruction Administration, 1935-1955," dissertation, CUNY Graduate Center, October 2014, https://academicworks.cuny.edu/cgi/viewcontent.cgi?article%3D1314%26context%3Dgc_etds.

¹⁷ César J. Ayala and Rafael Bernabe, *Puerto Rico in the American Century: A History Since 1898* (University of North Carolina Press, 2007), pp. 136-146 (hereinafter Ayala and Bernabe, *Puerto Rico in the American Century*).

¹⁸ Act 83-1941, enacted May 2, 1941, <https://bvirtualopg.pr.gov/ogp/BVirtual/LeyesOrganicas/pdf/83-1941.pdf>. Acting Governor Guy J. Swope signed the measure.

¹⁹ Jason E. Taylor, *Deconstructing the Monolith: The Microeconomics of the National Industrial Recovery Act*, (Chicago; 2019), pp. 22-27. Tugwell was the last appointed governor of Puerto Rico from the mainland.

²⁰ United States of America vs. Certain Parcels of Land, Porto Rico Railway Light Power Company et al., District Court of the United States for Puerto Rico, no. 2716, July 20, 1942.

²¹ *Annual Report of the Governor of Puerto Rico*, pp. 55-56. Also see Rexford G. Tugwell, *The Stricken Land*, pp. 181-182, 345-346, 621-622. The initial seizure was invalidated and an out-of-court settlement was reached in 1944.

manufacturing.²² The resulting expansion of industrial output and per capita incomes increased demand for electric power. From the 1950s through the end of the 1960s, expanding generating capacity to meet burgeoning demand was the major challenge facing the power authority.²³

New Challenges in the 1970s

Arab countries embargoed oil exports to the United States after the 1973 Yom Kippur War, initiating the 1973-1974 energy crisis.²⁴ The production cuts caused oil prices to quadruple, causing serious dislocation to the mainland economy. The consequences for the Puerto Rican economy were even more severe.²⁵ Nearly all of the island's electric power generation relied on oil, with smaller plants using diesel or gas. While mainland oil prices were regulated to some extent, Puerto Rico's electric generation and its refineries depended on Venezuelan oil, which sold for international market prices.²⁶

An economic recession on the mainland cut demand for exports from Puerto Rico, which reduced demand for power. In addition, the sudden jump in oil prices on international markets undermined energy price advantages due to certain domestic pricing policies that benefited Puerto Rican refined products and chemicals industries.²⁷

By 1974, an economic recession, the closure of a major refinery, and rising energy prices resulted in shrinking industrial output and falling household incomes, which in turn reduced demand for electricity to about half of PREPA's electric generation capacity. One 1974 policy response was to begin subsidizing households using less than 425 kilowatt/hour (kWh) per month, shielding those customers from the full brunt of higher energy prices. About 70% of residential accounts qualified for the subsidies, which shielded most residential customers from the oil price shock, while on average mainland electric rates increased by 42%. Rates, however, more than doubled for other residential customers and tripled for industrial users.²⁸ While energy subsidies cushioned

²² In Spanish the initiative was known as La Operación Manos a la Obra. See Ayala and Bernabe, *Puerto Rico in the American Century*, ch. 9.

²³ National Academy of Sciences (NAS), *Energy in Puerto Rico's Future: Final Report of the Committee on Future Energy Alternatives for Puerto Rico*, (1980), available to read online at <https://www.nationalacademies.org/read/19778> (hereinafter NAS, *Energy in Puerto Rico's Future*).

²⁴ Encyclopedia Britannica, "Yom Kippur War," <https://www.britannica.com/event/Yom-Kippur-War>. Also see Rüdiger Graf, "Making Use of the 'Oil Weapon': Western Industrialized Countries and Arab Petropolitics in 1973-1974," *Diplomatic History*, v. 36, no. 1 (2012), pp. 185-208, <http://www.jstor.org/stable/44376141>.

²⁵ U.S. Department of State, Office of the Historian, *Oil Embargo, 1973-1974*, October 31, 2013, <https://history.state.gov/milestones/1969-1976/oil-embargo>. Even before the oil embargo started in October 1973, Puerto Rico's power utility was affected by a strike that began on January 4, 1973, signaling the start of a more contentious labor relationship. See Unión de Trabajadores de la Industria Eléctrica y Riego (UTIER), "Breve Reseña Histórica de la UTIER," <http://www.utier.org/estructuras/historia.php>. Changes in minimum wage legislation and the shifting of apparel and other light manufacturing to East Asia also contributed to the island's economic downturn. See David Vidal, "Puerto Rico Seeks Way Out As Economic Woes Mount," *New York Times*, October 15, 1975, <https://www.nytimes.com/1975/10/15/archives/puerto-rico-seeks-way-out-as-economic-woes-mount-crises-plague.html>.

²⁶ Oficina de Energía de Puerto Rico, Oficina del Gobernador, "Informe de la Situación Energética de Puerto Rico: 1978-1979," ["Report on the Energy Situation of Puerto Rico: 1978-1979"], pp. 219-225, https://issuu.com/coleccionpuertorriquena/docs/informe_situaci_n_energ_tica_pr_1978-1979.

²⁷ See NAS, *Energy in Puerto Rico's Future*, pp. 76-95.

²⁸ U.S. Department of Commerce, *Economic Study of Puerto Rico*, vol. I, December 1979, p. 36.

household incomes in a time of elevated unemployment, they also reduced PREPA's ability to cover its capital costs.²⁹ Corruption in procurement processes also raised capital costs.³⁰

Also in 1974, the utility, then known as the Puerto Rico Water Resources Authority, signed a trust agreement with a New York bank to issue revenue bonds.³¹ That agreement, as amended, framed the terms of subsequent bond issues. Interpretation of its terms remains a key point of contention in the current PROMESA Title III case, as discussed below.

In 1979, the Puerto Rico Water Resources Authority was renamed PREPA to reflect the transition from hydroelectric power to generation using fossil fuels (Act 57-1979).³²

As the economy recovered and manufacturing activities expanded, the gap between generating capacity and demand narrowed. Economic growth, however, did not match pre-1973 rates, especially after certain federal tax incentives were fully phased out in 2006.³³

Concerns About PREPA Intensify in 2014

Two threads of policy developments have shaped Puerto Rico's energy sector. First, Puerto Rico's government has taken steps to modernize its energy policy since 2010, although implementation of changes has been slow and at times contentious. Second, during the same period, PREPA began to face increasingly severe financial constraints.³⁴ The threads of energy reform and financial exigency have intertwined in recent years, and untangling them presents several formidable challenges.

In July 2010, Puerto Rico enacted (Act 82-2010) a Renewable Energy Portfolio Standard (RPS), which mandated that PREPA supply increasing amounts of retail electricity sales from eligible renewable energy³⁵ resources, peaking at 20% of retail sales by 2035.³⁶

2014 ALIVIO Act Reframes Puerto Rico's Energy Policies

In May 2014, concerns about PREPA's performance culminated in legislation (Act 57-2014) that established a Puerto Rico Energy Commission (PREC) and an office of consumer advocacy.³⁷

²⁹ See NAS, *Energy in Puerto Rico's Future*, pp. 116-117.

³⁰ Charles R. Babcock, "GE, Two Former Execs Indicted in Bribes Case," *Washington Post*, September 5, 1980. Also see "GE Held Guilty of \$1.25 Million Bribe," *New York Times*, February 12, 1981.

³¹ Puerto Rico Water Resources Authority to First National City Bank Trust Agreement, January 1, 1974, p. 2, https://web.archive.org/web/20160509120406/http://www.bgfpr.com/investors_resources/documents/TrustAgreement-PREPA1974-.pdf.

³² Act 57-1979, enacted May 30, 1979. In Spanish, it is the Autoridad de Energía Eléctrica (AEE).

³³ Measures of consumption show greater convergence with mainland levels. Series data deficiencies, however, hinder economic comparisons. See John Devereux, "Arrested Development? Puerto Rico in an American Century," *Journal of Economic History*, vol. 79, no. 3 (September 2019).

³⁴ For background, see CRS Report R44095, *Puerto Rico's Current Fiscal Challenges*, by D. Andrew Austin.

³⁵ U.S. Department of Energy, "Puerto Rico—Renewable Energy Portfolio Standard," 2016, <https://web.archive.org/web/20161107032941/http://www.energy.gov/savings/puerto-rico-renewable-energy-portfolio-standard>. (Hereinafter, DOE, "PRPS"). Also see Oficina Estatal Política Pública Energética [Government Office for Public Energy Policy], "Renewable Platform: Renewable Portfolio Standard," <https://web.archive.org/web/20241205093616/https://www.prgef.com/renewableplatform/>.

³⁶ DOE, "PRPS." Also see Act 82-2010, enacted July 19, 2010, <https://bvirtualogp.pr.gov/ogp/Bvirtual/leyesreferencia/PDF/2-ingles/0082-2010.pdf>.

³⁷ McConnell & Valdés, "Act for the Transformation and Energy Relief of Puerto Rico Signed into Law," *Energy Alert*, May 30, 2014, http://www.mcvpr.com/media/publication/273_Act%2057.pdf. Law on Energy Transformation (continued...)

PREC was authorized to review PREPA's rates and provide oversight. Previously, PREPA set its own rates,³⁸ subject to requirements of a 1974 bond contract that required the utility to set rates and fees "sufficient for the payment of expenses of the Authority."³⁹ The then-president of the Puerto Rican Senate, Eduardo Bhatia Gautier, who sponsored the bill, claimed it would bring efficiency, transparency, and clean and cheaper energy, although he denied that it would lead to the privatization of PREPA.⁴⁰ The law aimed to curtail PREPA's status as an unregulated monopoly of electric power provision and to shift from reliance on fossil fuels to renewable energy sources.⁴¹ It also contemplated a separation of electric energy generation and transmission.

Questions of PREPA's solvency were beginning to emerge in early 2014.⁴² Press reports at the time noted PREPA's debts and other financial problems, as well as the influence of bondholders on rates via terms of the 1974 trust agreement. Credit ratings agencies downgraded Puerto Rico's central government's debt, but PREPA's debt was not downgraded at that time.⁴³

By May 2014, PREPA could only fund fuel purchases using capital reserve funds.⁴⁴ On June 30, 2014, a financial report of the Puerto Rican government warned that PREPA faced "substantial doubt about its ability to continue as a going concern."⁴⁵ On June 28, 2014, the Puerto Rican government enacted a law that sought to create local bankruptcy procedures in the absence of viable federal bankruptcy options at the time.⁴⁶ Those local procedures, however, were struck down by federal courts.⁴⁷

and Relief (Ley de Transformación y ALIVIO Energético; Ley 57-2014), enacted May 27, 2014. The legislative text in English, as amended, is available at <https://bvirtualogp.pr.gov/ogp/Bvirtual/leyesreferencia/PDF/2-ingles/57-2014.pdf>.

³⁸ Act 83-1941 established PREPA's predecessor.

³⁹ Puerto Rico Water Resources Authority to First National City Bank Trust Agreement, January 1, 1974, p. 2, https://web.archive.org/web/20160509120406/http://www.bgfpr.com/investors_resources/documents/TrustAgreement-PREPA1974-.pdf.

⁴⁰ *Primera Hora*, "Eduardo Bhatia Asegura que Propuesta Energética Beneficiará a los Municipios: Enfatizó que su Propuesta no es Privatizar la Autoridad de Energía Eléctrica" ["Eduardo Bhatia Claims the Energy Proposal Will Benefit Municipios: Emphasizes that his Proposal is not a Privatization of PREPA"], January 10, 2014, <https://www.primerahora.com/noticias/gobierno-politica/notas/eduardo-bhatia-asegura-que-propuesta-energetica-beneficiara-a-los-municipios/>.

⁴¹ The ALIVIO (Act 57-2014) preamble stated "PREPA has become a monopoly that regulates itself; sets its own rates without actual oversight; incurs operational, managerial, and administrative deficiencies whose actual cost, at the end of the day, is borne directly by customers; and whose governance lacks transparency and citizen participation." Also see *Microjuris*, "Senado Retoma Diálogo Sobre Reforma Energética" ["Senate Resumes Discussions on Energy Reform"], January 14, 2014, <https://aldia.microjuris.com/2014/01/14/senado-retoma-dialogo-sobre-reforma-energetica/>.

⁴² Carmelo Ruiz Marrero, "Debt and Dirty Energy Weigh Heavy on Puerto Rico's Utility," Inter Press Service, April 28, 2014, <https://www.globalissues.org/news/2014/04/28/18590>.

⁴³ Michael Corkery, "Investors Appear to Shrug Off Puerto Rico's Debt Downgrade," *New York Times*, February 5, 2014, <https://archive.nytimes.com/dealbook.nytimes.com/2014/02/05/investors-appear-to-shrug-off-puerto-ricos-debt-downgrade/>. Also see *Business Insider*, "Perspectives on Puerto Rico's Debt Downgrade," February 4, 2014, <https://www.businessinsider.com/perspective-on-puerto-ricos-debt-downgrade-2014-2>. Also see Standard & Poors, "Puerto Rico GO Rating Lowered To 'BB+'; Remains on Watch Negative," February 4, 2014, <https://www.spglobal.com/ratings/en/regulatory/article/-/view/type/HTML/id/1256713>.

⁴⁴ Herman K. Trabish, "Is Puerto Rico the New Poster Child for the Utility Death Spiral?" *Utility Dive*, August 13, 2014, <https://www.utilitydive.com/news/is-puerto-rico-the-new-poster-child-for-the-utility-death-spiral/297701/>.

⁴⁵ Commonwealth of Puerto Rico, *Basic Financial Statements and Required Supplementary Information*, p. 4, June 30, 2014, https://web.archive.org/web/20150910163641/http://www.hacienda.gobierno.pr/downloads/pdf/cafr/FINANCIAL_REPORT_2013.pdf.

⁴⁶ Act 17-2014, enacted June 28, 2014, <https://bvirtualogp.pr.gov/ogp/Bvirtual/leyesreferencia/PDF/2/0071-2014.pdf>.

⁴⁷ *Puerto Rico v. Franklin California Tax-Free Trust*, 579 U.S. 115 (2016), <https://www.govinfo.gov/content/pkg/USREPORTS-579/pdf/USREPORTS-579-115.pdf>.

Restructuring Support Agreements Begin in August 2014

Negotiations with bondholders, fuel line creditors, and bond insurers led to an August 2014 forbearance agreement that averted PREPA's default. The August 2014 forbearance agreement required the appointment of a chief restructuring officer (CRO) to oversee PREPA operations, a post taken by Lisa Donahue of the consulting firm Alix Partners.

A tentative Restructuring Support Agreement (RSA) reached in mid-December 2015 between PREPA and holders of about 70% of PREPA's debt created a process for reducing PREPA's debt.⁴⁸ In February 2016, the Puerto Rico legislature and governor enacted a law (Act 4 of 2016) to fulfill other RSA conditions, including the imposition of a surcharge on electric bills to repay creditors and the appointment of PREPA board members chosen through an independent search aimed at identifying technically qualified candidates.⁴⁹

Had the RSA been finalized, uninsured creditors would have accepted new securities that were estimated to reduce PREPA's debt by 15%. PREC had approved a \$0.031 per kilowatt-hour (kWh) surcharge in June 2016 as well as a \$0.01/kWh base rate increase in January 2017. While that transition surcharge was not implemented, two subsequent restructuring support agreements—which also did not resolve PREPA's liabilities—proposed similar transition surcharges.

Puerto Rico's Governor Declares Public Debts "Unpayable" in 2015

By June 2015, Puerto Rico's public finances had reached the point that then-Governor Alejandro García Padilla declared his government's debts "unpayable."⁵⁰ In August 2015, only partial payment was made for bonds issued by one public financing vehicle. In January 2016, emergency fiscal legislation was enacted to address forthcoming shortfalls in debt service. In late 2015 and the first half of 2016, Congress and the U.S. Treasury were considering various approaches to address Puerto Rico's fiscal situation.⁵¹

Some progress was made within the energy policy area. The ALIVIO Act required a rate review and an integrated resource plan (IRP). An IRP is a plan specifying how a vertically integrated electric utility's power system will meet expected demand for electric power at the least cost for a certain time period, in PREPA's case, 20 years.⁵²

⁴⁸ For one chronology of negotiations, see John E. Mudd, "PREPA Deal Gone Wrong," blog post, January 23, 2016, <https://web.archive.org/web/20160326081059/http://johnmuddlaw.com/2016/01/23/prepa-deal-gone-wrong/>.

⁴⁹ Act 4-2016 also established the Puerto Rico Electric Power Authority Revitalization Corporation, a special purpose entity designed to refinance PREPA debt and pass surcharge revenues to bondholders.

⁵⁰ *Primera Hora*, "Mensaje del Gobernador Alejandro García Padilla Sobre Situación Fiscal de Puerto Rico" ["Governor Alejandro García Padilla's Message on the Fiscal Situation of Puerto Rico"], June 29, 2015, <https://www.primerahora.com/noticias/gobierno-politica/notas/mensaje-completo-del-gobernador-alejandro-garcia-padilla/>.

⁵¹ Act 21-2016, April 6, 2016, <https://www.lexjuris.com/lexlex/leyes2016/lexl2016021a.pdf>. Also see Appendix A in CRS Report R44532, *The Puerto Rico Oversight, Management, and Economic Stability Act (PROMESA; H.R. 5278, S. 2328)*, coordinated by D. Andrew Austin.

⁵² Synapse Energy Economics and Lawrence Berkeley National Laboratory, *Best Practices in Integrated Resource Planning*, November 2024, https://www.energy.gov/sites/default/files/2024-12/best_practices_irp_nov_2024_final_optimized.pdf. Also see Puerto Rico Energy Commission (PREC), "Integrated Resource Plan," <https://energia.pr.gov/en/integrated-resource-plan/>.

In July 2015, PREC issued regulations starting a process to review PREPA rates to ensure that future rates would be “just and reasonable.”⁵³ PREC issued a final order on rates in January 2017.⁵⁴ The order included a lengthy analysis of challenges facing PREPA.⁵⁵

Also in that month, PREPA filed a draft IRP. In September 2016, PREC rejected PREPA’s initial IRP and approved a modified IRP.⁵⁶ PREPA requested a reconsideration of that order, which PREC largely denied through a final order in February 2017.⁵⁷

PROMESA Creates Oversight Board and Debt Restructuring Processes

In late 2015 and the first half of 2016, Congress and the U.S. Treasury discussed and negotiated responses to Puerto Rico’s fiscal distress. As noted above, Puerto Rico’s attempt to enact a local bankruptcy was barred by federal courts, even as Puerto Rico lacked access to the U.S. bankruptcy system.

In April 2016, the government of Puerto Rico enacted emergency fiscal legislation. Among other provisions, the act replaced the Government Development Bank, the public sector’s financial advisor and fiscal agent that was facing liquidity challenges, with the Puerto Rico Fiscal Agency and Financial Advisory Authority (FAFAA).⁵⁸

At the end of June 2016, the Puerto Rico Oversight, Management, and Economic Stability Act (PROMESA; P.L. 114-187) was enacted, establishing a Financial Oversight and Management Board for Puerto Rico (Oversight Board) and creating two processes for restructuring debts. The Oversight Board was charged with certifying fiscal plans and budgets of instrumentalities of the Puerto Rican government, including PREPA. The Puerto Rican governor was charged with developing fiscal plans for the Commonwealth of Puerto Rico (CPR) and its public corporations, subject to Oversight Board certification. PROMESA mandated that fiscal plans outline “a method to achieve fiscal responsibility and access to the capital markets.”

While PROMESA endowed the Oversight Board with wide authorities, the governor and legislature of Puerto Rico retained substantial control over public priorities, within constraints of fiscal plans and other provisions of PROMESA.

Title III of PROMESA set out a process that draws on procedures from the U.S. Bankruptcy Code. The Chief Justice appointed federal district court judge Laura Taylor Swain to the court

⁵³ PREC, *Regulation on Rate Filing Requirements for PREPA*, CEPR-AP-2015-0001, July 24, 2015, <https://energia.pr.gov/wp-content/uploads/sites/7/2015/09/RE-8620-EN.pdf>.

⁵⁴ PREC, *Final Resolution and Order*, CEPR-AP-2015-000, January 10, 2017, <https://energia.pr.gov/wp-content/uploads/sites/7/2017/01/Final-Resolution-and-Order.pdf>.

⁵⁵ The 2017 PREC Final Resolution and Order (at p. 23) stated that “[t]he quadrennial turnover of managers with each new political administration, the political pressures from elected officials to avoid necessary rate increases, the failure of government agencies to pay their electricity bills on time, the irresponsible initiation and termination of expensive capital projects, the high levels of electricity theft, the work rules that prevent efficient use of well-paid employees, the poor recordkeeping and antiquated administrative procedures, the compensation schemes that prevent PREPA from recruiting and retaining qualified and experienced personnel—all this must come to a halt.”

⁵⁶ PREC, *Final Resolution and Order*, case AP-2015-0002, September 23, 2016, <https://energia.pr.gov/wp-content/uploads/sites/7/2016/09/23-sept-2016-Final-Resolution-and-Order-IRP-CEPR-AP-2015-0002.pdf>.

⁵⁷ PREC, *Resolution of the Verified Motion for Reconsideration of the PREPA*, February 10, 2017, <https://energia.pr.gov/wp-content/uploads/sites/7/2017/02/10-feb-2017-Resolution-Ruling-on-PREPAs-Verified-Motion-for-Reconsideration.pdf>.

⁵⁸ Act 21-2016, <https://www.lexjuris.com/lexlex/leyes2016/lexl2016021a.pdf>. In Spanish, Autoridad de Asesoría Financiera y Agencia Fiscal de Puerto Rico (AAFAF).

overseeing Title III matters and related issues.⁵⁹ Title VI of PROMESA set out a process for voluntary collection action agreements, similar to collective action strategies used in sovereign debt workouts.⁶⁰ This provision may have been aimed at grandfathering the PREPA RSA.⁶¹

PREPA's Debt Structure

At the end of December 2016, just before entering the PROMESA Title III debt adjustment process, PREPA's current debts totaled about \$9 billion. That included \$5.63 billion in uninsured power revenue bonds, \$2.25 billion in insured power revenue bonds, about \$700 million in fuel line agreements, and about \$90 million in other loans.⁶²

Many PREPA bonds were issued with the support of bond insurance to gain a strong credit rating. Bond insurers commit to pay creditors if a debtor defaults. Bond insurers have therefore played a key role in debt negotiations.

PREPA bonds are revenue bonds. Revenue bonds are backed by specific revenue streams pledged to cover debt service, rather than by physical collateral or a government's powers of taxation. Thus, revenue bonds are backed more narrowly than general obligation bonds that rely on a government's full faith and credit.⁶³ To compensate for that limit on bondholders' security, revenue bondholders have certain recourses not available to general obligation bondholders. The 1974 trust agreement that governs PREPA's bonds specifies that bondholders may sue to force a rate increase if funds for debt service are insufficient or they may have a court appoint a receiver.⁶⁴ The stay on litigation while PREPA's Title III debt restructuring process proceeds, however, has barred such actions so far. Much of the recent litigation has focused on the extent of creditors' claims on PREPA's net revenues and how net revenues are calculated.

⁵⁹ Matthew Goldstein, "PREPA Judge in Puerto Rico's Debt Lawsuit Handled Major Financial Cases," *New York Times*, May 5, 2017, <https://www.nytimes.com/2017/05/05/business/dealbook/judge-puerto-rico-case.html>.

⁶⁰ See CRS Report R44532, *The Puerto Rico Oversight, Management, and Economic Stability Act (PROMESA)*; H.R. 5278, S. 2328), coordinated by D. Andrew Austin.

⁶¹ Testimony of Stephen J. Spencer, in U.S. Congress, House Natural Resources Committee, Indian and Insular Affairs Subcommittee, *Oversight Hearing on the Status of the Puerto Rico Electric Power Authority (PREPA) Restructuring Support Agreement*, 115th Cong., 1st sess., March 22, 2017, <https://democrats-naturalresources.house.gov/download/mr-stephen-spencer?download=1>.

⁶² Puerto Rico Electric Power Authority Fiscal Plan, April 28, 2017, pp. 18-20, <https://web.archive.org/web/20171113000710/http://www.aafaf.pr.gov/assets/fiscal-plan---pr-electric-power-authority.pdf>.

⁶³ The 1974 trust agreement (at p. 5) states that "the Commonwealth of Puerto Rico or any of its municipalities or other political subdivisions, and neither the Commonwealth of Puerto Rico nor any such municipalities or other political subdivisions are liable for the payment of this bond or the interest hereon, but this bond shall be payable as to both principal and interest solely from the special fund provided therefor as hereinafter set forth."

⁶⁴ The 1974 trust agreement (at p. 48) states "In the event that the Authority shall fail to adjust the schedule of rates and charges in accordance with the provisions of this Section, the Trustee, without regard to whether an event of default, as defined in Article VIII of this Agreement, shall have occurred, shall, upon the request of the holders of not less than ten per centum (10%) in principal amount of all bonds then outstanding and upon being indemnified to its satisfaction, institute and prosecute in a court of competent jurisdiction an appropriate suit, action or proceeding to compel the Authority to adjust such schedule in accordance with the requirements of this Section, and the Authority covenants that it will adopt and charge rates and charges in compliance with any judgment, order or decree entered in any such suit, action or proceeding." The provision for a receiver is at p. 74 of the agreement.

PREPA's Bond Prices

Until mid-2013, PREPA bonds had traded near par values until the depth of the island's financial issues became widely known.⁶⁵ The island's bond prices began to fall after the City of Detroit decided to file for bankruptcy and after an article in *Barron's* described Puerto Rico's fiscal situation.⁶⁶ The bonds generally traded in the range of 40% to 60% of par from mid-2013 through mid-2017, when the Oversight Board entered PREPA into a PROMESA Title III process. Values dropped, however, after the arrival of hurricanes in September 2017 (see discussion below).

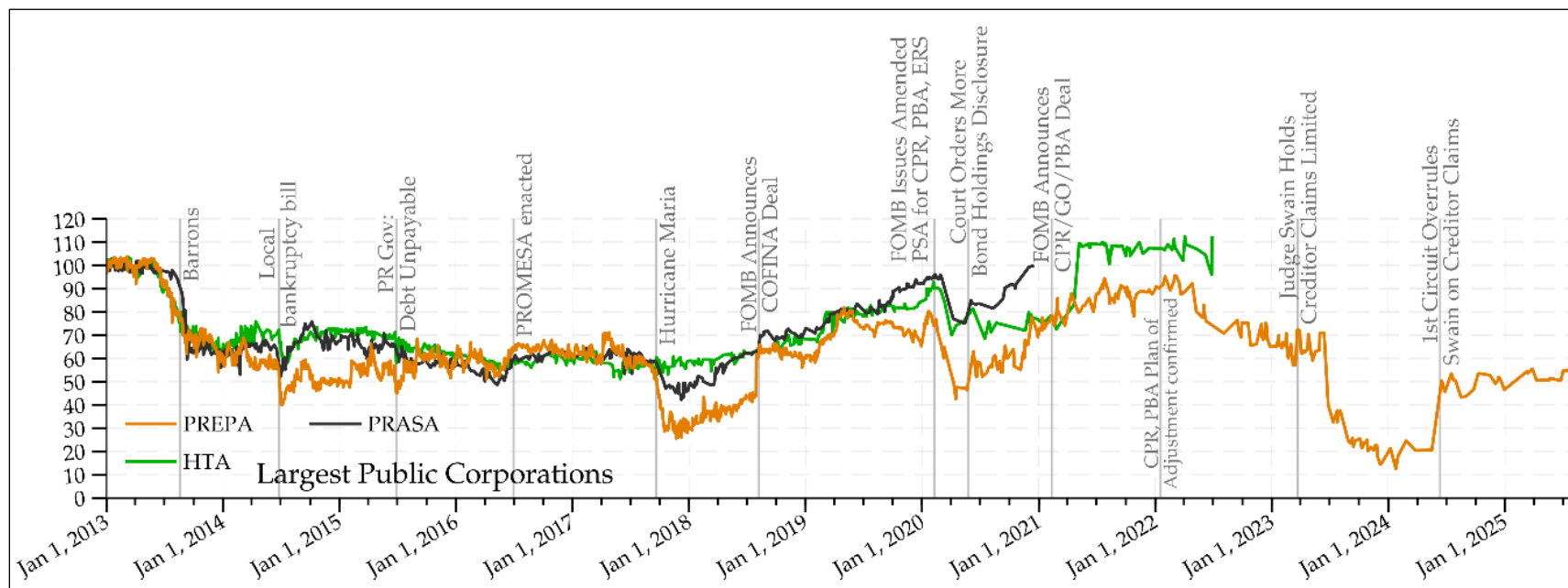
Figure 3 shows trends in prices of representative bonds for the three largest Puerto Rico public corporations since the start of 2013.

⁶⁵ Par value is face value of a security. A bond that sells at par sells at its face value.

⁶⁶ Andrew Bary, "Troubling Winds: Puerto Rico's Huge Debt Could Overwhelm Attempts to Revive its Economy," *Barron's*, August 26, 2013.

Figure 3. Bond Price Trends for Puerto Rico's Largest Public Corporations

Percentage of Par, January 2013-February 2026



Source: CRS graph based on data from Electronic Municipal Market Access, Municipal Securities Rulemaking Board.

Notes: The PREPA Revenue Bond is CUSIP 74526QVX7 (5.25%; 2040) and Puerto Rico Aqueduct and Sewer Authority (PRASA) is CUSIP 745160QF1. PRASA issued bonds in 2020 to redeem this and certain other of its bonds. Highways and Transportation Authority (HTA) is CUSIP 745181K97. HTA debts were restructured through the Third Amended Title III Plan of Adjustment ordered on October 12, 2022. A CUSIP (Committee on Uniform Security Identification Procedures) number identifies most securities. Par is the face value of a bond.

The first vertical line indicates appearance of *Barron's* article (August 20, 2013); second vertical line is at enactment of Act 71 (July 28, 2014). Third vertical line is at June 29, 2015, when Governor García Padilla stated that "the debt is not payable." Fourth line is at June 30, 2016, when PROMESA was enacted. The fifth vertical line (September 20, 2017) was when Hurricane María hit the island. The sixth line (August 8, 2018) is when the Oversight Board (FOMB) announced an agreement on COFINA (i.e., sales tax backed) bonds. The seventh line (February 9, 2020) is when the Oversight Board released a plan support agreement (PSA) for Commonwealth of Puerto Rico (CPR) general obligation (GO) bonds. The eighth line (May 26, 2020) is when the PROMESA Title III court ordered detailed disclosures of creditors holdings of CPR GO bonds. The ninth line (February 10, 2021) is when the Oversight Board issued an amended CPR PSA. The last line (January 18, 2022) is when the Title III court confirmed the CPR plan of adjustment. For further explanations, see CRS Report R46788, *Puerto Rico's Public Debts: Accumulation and Restructuring*, by D. Andrew

Austin. The PRASA bond appears to have been called in late 2020. The last PREPA bond trade reported by EMMA at the time of this writing was made on February 25, 2026.

After the Oversight Board announced an agreement on the restructuring of sales-and-use-tax-backed bonds (known by its acronym in Spanish, COFINA), bond prices for the island's public corporations began to recover dramatically. In the latter half of 2022, PREPA bond prices traded at about 75% of par. In June 2023, those prices fell below 50% of par after a Title III district court opinion (discussed in more detail below) limited creditors' claims. When the First Circuit Court of Appeals reversed that decision, supporting bondholders' claims, prices rebounded.⁶⁷

PREPA Enters PROMESA Title III Restructuring in 2017

In January 2017, Governor Ricardo Rosselló Nevares took office. He soon proposed changes in the Puerto Rican government's structure and in particular, changes to the structure and governance of PREPA. Shortly after his inauguration, Rosselló signed legislation to expand the role of FAFAA, giving it sole responsibility for debt restructuring negotiations.⁶⁸ FAFAA then engaged Rothschilds as financial advisors, replacing Millstein & Co., which had advised the Padilla administration.⁶⁹

The structure of PREPA's board was also changed, resulting in the removal of members selected for their technical expertise and the appointment of new members by the governor.⁷⁰

After Rosselló took office, the RSA covering PREPA initially remained in place. Chief Restructuring Officer Lisa Donahue's contract, however, expired at the end of February 2017. The governor sought and obtained additional concessions from PREPA creditors, incorporated into an April 27, 2017, RSA extension.⁷¹

The Oversight Board approved a revised draft fiscal plan for PREPA on April 28, 2017, which outlined proposals and projections for the utility's finances, operations, capital investments, and market environment for the coming decade.⁷² The plan projected a 23% reduction in energy sales and called for setting a target rate of \$0.21/kWh by 2023.

The Oversight Board filed PROMESA Title III petitions for the commonwealth government and other public entities on May 3, 2017, starting off a bankruptcy-like debt-restructuring process.⁷³ The board, however, held off filing a petition for PREPA, as some board members sought to reach an agreement with creditors.⁷⁴

⁶⁷ In re PREPA, 104 F.4th 367 (1st Cir. 2024). See discussion below.

⁶⁸ Act 2-2017 (docs.pr.gov/files/AAFAF/About Us/a-002-2017-1.pdf), enacted on January 18, 2017, expanded powers of the Puerto Rico Fiscal Agency and Financial Advisory Authority (FAFAA) or in Spanish, the Autoridad de Asesoría Financiera y Agencia Fiscal (AAFAF).

⁶⁹ Nick Brown, "Rothschild Replaces Millstein as Puerto Rico Financial Adviser," Reuters, January 18, 2017, <https://www.reuters.com/article/world/rothschild-replaces-millstein-as-puerto-rico-financial-adviser-idUSKBN1522IU/>.

⁷⁰ Section 29 of Act 3-2017, enacted January 23, 2017, <https://sutra.oslpr.org/SutraFilesGen/122923/A-003-2017.pdf>.

⁷¹ Philipe Schoene Roura, "PREPA in 2017 A.D.—After Donahue," *Caribbean Business*, February 16, 2017, <https://web.archive.org/web/20170620033919/https://caribbeanbusiness.com/prepa-in-2017-a-d-after-donahue/>. Also see PREPA Public Disclosure, April 6, 2017, <https://emma.msrb.org/ER1046043-ER819555-ER1220619.pdf>.

⁷² PREPA, Puerto Rico Electric Power Authority Fiscal Plan, April 28, 2017, <https://web.archive.org/web/20171113000710/http://www.aafaf.pr.gov/assets/fiscal-plan---pr-electric-power-authority.pdf>.

⁷³ Title III Petition, In re: Commonwealth of Puerto Rico, No. 17-03283 (D.P.R. May 3, 2017), Dkt. No. 1, <https://cases.ra.kroll.com/puertorico/Home-DownloadPDF?id1=NjE3NjAy&id2=-1>.

⁷⁴ David A. Skeel, Jr., "Reflections on Two Years of P.R.O.M.E.S.A.," *Revista Jurídica*, vol. 87, no. 3 (2018), https://scholarship.law.upenn.edu/cgi/viewcontent.cgi?article=2992&context=faculty_scholarship.

The PREPA fiscal plan that the Oversight Board certified included a goal of completing RSA negotiations by July 1, 2017. On July 2, 2017, the board, however, decided to terminate the PREPA RSA and file a petition to initiate the Title III process established by PROMESA.⁷⁵ On the following day, PREPA failed to make scheduled debt service payments. A coalition of bondholders holding nearly two-thirds of PREPA's debt then requested the appointment of a receiver to operate PREPA.⁷⁶ On September 14, 2017, Judge Swain, who oversees the PROMESA Title III processes, denied that request citing limitations on the court's powers set by PROMESA.⁷⁷

Natural Disasters Delay PREPA's Debt Restructuring Process

A series of natural disasters, including hurricanes and earthquakes, seriously damaged Puerto Rico's electrical system beginning in 2017. The complexity of the disaster recovery process, among other factors, also has created obstacles to the rebuilding of the island's power infrastructure and delayed the debt restructuring process.⁷⁸

The disasters presented additional challenges by disrupting the local economy, quickening the pace of population outmigration, and heightening popular frustration with PREPA and Puerto Rico's public sector at large.

Hurricanes Irma and María Hit in September 2017

In September 2017, hurricanes Irma and María swept across Puerto Rico causing catastrophic damages to lives, infrastructure, and the economy.⁷⁹ The hurricanes severely damaged electrical

⁷⁵ Oversight Board, "Oversight Board Files Title III Petition for PREPA," press release, July 2, 2017. Also see Title III Petition for Covered Territory or Covered Instrumentality Entity, In re: PREPA, No. 17-04780 (D.P.R. July 2, 2017), Dkt. No. 1, <https://cases.primeclerk.com/puertorico/Home-DownloadPDF?id1=NzA4NjU1&id2=0>. Skeel (2018, at p. 876, "Under the proposed R.S.A., as amended multiple times by the creditors and P.R.E.P.A. before the Board voted on it, some of P.R.E.P.A.'s bond creditors would agree to a 15% restructuring of their debt, and the debt would essentially be converted into fully secured claims supported by a 'transition charge' on electricity revenues. If we initiated a Title VI proceeding for the R.S.A., P.R.O.M.E.S.A. provided a streamlined process for its approval. The seven of us wrestled for weeks over the question whether to approve the R.S.A. and to initiate Title VI. Although the R.S.A. clearly would be very generous to creditors, and had been negotiated at a time when P.R.E.P.A. did not have access to bankruptcy or other restructuring provisions, some board members thought it would be manageable and would help stabilize the troubled, unreliable utility; they feared that P.R.E.P.A. could not survive a privatization or other transformative transaction. Others believed that transformation was essential and that the terms of the R.S.A. would make transformation impossible. In the end, the board voted to reject the R.S.A. by a 4-3 vote. The board filed a Title III petition for P.R.E.P.A. on July 2, 2017."

⁷⁶ Motion of Ad Hoc PREPA Bondholders, In re: PREPA, No. 17-04780 (D.P.R. July 18, 2017), Dkt. No. 74, <http://document.epiq11.com/document/getdocumentbycode/?docId=3153952&projectCode=PR1>.

⁷⁷ Order and Opinion Denying Motion of Ad Hoc Group of PREPA Bondholders, In re: PREPA, No. 17-04780 (D.P.R. September 14, 2017), Dkt. No. 299, <https://cases.ra.kroll.com/puertorico/Home-DownloadPDF?id1=NzA5MzEz&id2=-1>.

⁷⁸ Natural disasters and disaster response initiatives have had major direct and indirect effects on PREPA finances. A full discussion of their effects is beyond the scope of this report. CRS Report R46609, *The Status of Puerto Rico's Recovery and Ongoing Challenges Following Hurricanes Irma and María: FEMA, SBA, and HUD Assistance*, coordinated by Elizabeth M. Webster, summarizes various disaster relief initiatives. Also see Kyle Siler-Evans et al., "Accelerating Puerto Rico's Disaster Recovery: A Synthesis of Findings and Recommendations," December 17, 2025, https://www.rand.org/pubs/research_reports/RRA2959-14.html. See as well Government Accountability Office (GAO), *Puerto Rico Grid Recovery: Limited Progress Toward Stability and Opportunities Exist to Improve Federal Assistance*, GAO-26-107772, June 2, 2026, <https://www.gao.gov/products/gao-26-107772>.

⁷⁹ See Figure 1 in CRS Report R46609, *The Status of Puerto Rico's Recovery and Ongoing Challenges Following Hurricanes Irma and María: FEMA, SBA, and HUD Assistance*, coordinated by Elizabeth M. Webster.

system assets. Most of the island was blacked out for months while PREPA's electric grid was patched back together (**Figure 4**).⁸⁰

The extent of the damage raised new questions about how to fund repairs, given PREPA's financial condition.⁸¹ The outmigration of Puerto Rican residents and businesses to the U.S. mainland presents serious challenges to the size of PREPA's customer base, and therefore to its finances.

Figure 4. Electrical Blackout in Puerto Rico on November 17, 2017

Two Months After Hurricane María



Source: U.S. Army Corps of Engineers, presentation at Aguadilla, Puerto Rico, February 2018.

Notes: Lightest areas were near Arecibo, Puerto Rico. Shades reflect percentage of customers with electric power.

In the short run, the hurricanes caused a severe drop in public revenues and a steep increase in demands on public resources to address emergency conditions. PREPA lost an estimated \$1.2 billion in revenues in the half year following the hurricanes.⁸²

Over the longer run, the Oversight Board's macroeconomic projections, which influence what future debt levels would be sustainable, presumed that tens of billions of dollars in disaster

⁸⁰ U.S. Army Corps of Engineers, "The Longest Blackout in U.S. History: Hurricane Maria," September 2022, <https://www.usace.army.mil/About/History/Historical-Vignettes/Relief-and-Recovery/154-Hurricane-Maria/>.

⁸¹ For more details, see CRS Report R46609, *The Status of Puerto Rico's Recovery and Ongoing Challenges Following Hurricanes Irma and Maria: FEMA, SBA, and HUD Assistance*, coordinated by Elizabeth M. Webster. Also see U.S. Congress, House Committee on Transportation and Infrastructure, Subcommittee on Economic Development, Public Buildings, and Emergency Management, *Recovery Update: Status of FEMA Recovery Efforts in Puerto Rico and U.S. Virgin Islands Five Years After Hurricanes Irma & Maria*, hearings, 117th Cong., 2nd sess., September 15, 2022, <https://www.govinfo.gov/app/details/CHRG-117hhrg63335/CHRG-117hhrg63335>.

⁸² Todd W. Filsinger Declaration, In re: PREPA, No. 17-04780 (D.P.R. January 27, 2018), Dkt. No. 549-3, <https://cases.ra.kroll.com/puertorico/Home-DownloadPDF?id1=NzE2MTEw&id2=0>.

recovery funds would flow to the island over time.⁸³ The flow of such funds, however, has been much slower than expected.⁸⁴

The exodus of residents after the 2017 hurricanes and the long-term trend in population decline affect forecasts of future demand for electric power. As more people move to the mainland, the burden of supporting the fixed costs of an electric power system falls on fewer households.

The scale of damage left by the hurricanes has led some to question whether PROMESA provided an adequate framework for Puerto Rico's recovery and restructuring efforts.⁸⁵ The Oversight Board called for revisions in fiscal plans and has taken steps to impose stricter oversight of recovery operations. Although PROMESA gave the Oversight Board powers to certify fiscal plans and budgets, PREPA retained control over its operations. Some PREPA decisions sparked criticism. In particular, PREPA's decision to award a costly temporary repair contract to a small firm shortly after Hurricane María⁸⁶ seemed to eschew normal industry practices, which rely on mutual aid as a primary route to system restoration.⁸⁷

Such concerns about PREPA's operations and contracting practices led the Oversight Board to appoint its revitalization coordinator Noel Zamot as chief transformation officer of PREPA, a move that the governor opposed.⁸⁸ In November 2017, the Title III judge, Swain, struck down that proposal, holding that the Oversight Board had overstepped its authorities.⁸⁹

⁸³ "The fiscal stimulus from the Federal disaster recovery funds and the insurance proceeds has the impact of increased economic growth that translates into more tax revenues for the Commonwealth. While no Federal monies are being used to pay debt, the Commonwealth's new reality is that the Government will collect more revenue during the period of the Fiscal Plan." Testimony of Executive Director Natalie Jaresko, in U.S. Congress, House Committee on Natural Resources, *Oversight Hearing on PROMESA*, 116th Cong., 1st sess., May 2, 2019, written response to Rep. Horsford's question 13, Ser. 116-14, <https://www.govinfo.gov/content/pkg/CHRG-116hhrg36258/html/CHRG-116hhrg36258.htm>.

⁸⁴ Kyle Siler-Evans et al., "Accelerating Puerto Rico's Disaster Recovery: A Synthesis of Findings and Recommendations," December 17, 2025, https://www.rand.org/pubs/research_reports/RRA2959-14.html. See as well GAO, *Puerto Rico Grid Recovery: Limited Progress Toward Stability and Opportunities Exist to Improve Federal Assistance*, GAO-26-107772, June 2, 2026, <https://www.gao.gov/products/gao-26-107772>.

⁸⁵ Joel Cintrón Arbasetti, "Nicholas Prouty: Tras María, 'PROMESA ha Terminado,'" ["Nicholas Prouty: After Maria, 'PROMESA is Done'"] *Center for Investigative Journalism*, October 2, 2017, <http://periodismoinvestigativo.com/2017/10/nicholas-prouty-tras-maria-promesa-esta-acabada/>.

⁸⁶ Steven Mufson et al., "Small Montana Firm Lands Puerto Rico's Biggest Contract to Get the Power Back On," *Washington Post*, October 23, 2017, https://www.washingtonpost.com/national/small-montana-firm-lands-puerto-ricos-biggest-contract-to-get-the-power-back-on/2017/10/23/31cccc3e-b4d6-11e7-9e58-e6288544af98_story.html?utm_term=.484b3c83ed05. Another contract with similar terms was awarded to a second firm, which is available at https://web.archive.org/web/20180609112015/https://media.noticel.com/o2com-noti-media-us-east-1/document_dev/2017/10/24/ContratoCobraAcquisitions_1508890709736_9085935_ver1.0.pdf.

⁸⁷ Major General Donald E. Jackson, Deputy Commanding General for Civil and Emergency Operations, U.S. Army Corps of Engineers, stated that "[Puerto Rico] did reach out at some point for mutual aid, but because it is a cost-shared arrangement and Puerto Rico is in the financial situation that they are in, utility companies were hesitant to engage because there was no guarantee of cost-share payment. Now, that changed, I believe, when the cost-share arrangement was waived, and then they reengaged, public power utilities reengaged. But, by that time, PREPA had already reached out and had engaged with a sole-source contract, and that is how that arrangement was started." U.S. Congress, Senate Committee on Homeland Security and Governmental Affairs, *2017 Hurricane Season: Oversight of the Federal Response*, 115th Cong., 1st sess., October 31, 2017, <https://www.govinfo.gov/app/details/CHRG-115shrg29658/CHRG-115shrg29658>.

⁸⁸ Urgent Motion of Financial Oversight and Management Board for Puerto Rico for Entry of Order Confirming Appointment and Authority of Chief Transformation Officer, In re: PREPA, case 17-4780 (D.P.R. October 26, 2017), Dkt. No. 361, <https://cases.ra.kroll.com/puertorico/Home-DownloadPDF?id1=NzExNDA1&id2=-1>.

⁸⁹ Opinion and Order Denying Urgent Motion Of FOMB, In re: PREPA, case 17-4780 (D.P.R. Nov. 16, 2017), Dkt. No. 471, <https://cases.ra.kroll.com/puertorico/Home-DownloadPDF?id1=NzEyNjQz&id2=-1>. Also see Daniel Bases, "U.S. Judge Denies Request for Outsider to Oversee Puerto Rico's PREPA," Reuters, November 13, 2017, (continued...)

January 2020 Earthquakes Disrupt PREPA Power Generation

Starting in December 2019, a series of earthquakes shook the southwest coast of Puerto Rico and aftershocks continued through much of the following year. On January 7, 2020, an earthquake measured at a magnitude of 6.4 on the Richter Scale damaged houses and infrastructure in the area west of Ponce,⁹⁰ including PREPA's Costa Sur plant, which supplies about a quarter of PREPA's electricity, and the privately owned EcoEléctrica, which supplies about 17% of the island's electricity.⁹¹ Shutdowns of those plants caused widespread blackouts, although service was restored to normal levels in a week by increasing generation elsewhere.⁹² The EcoEléctrica plants restarted in late February 2020 after repairs, although its liquified natural gas (LNG) storage was limited due to concerns about possible structural damage to tanks.⁹³ Most Costa Sur units were back online by August 2020.⁹⁴

COVID-19 Pandemic, Hurricane Fiona, and Other Disasters

Since the 2017 hurricanes, eight events affecting Puerto Rico have prompted major disaster declarations under the Robert T. Stafford Disaster Relief and Emergency Assistance Act (Stafford Act, P.L. 93-288, as amended).⁹⁵

The COVID-19 pandemic required new emergency responses and put new strain on the local economy. In mid-June 2020, the Oversight Board projected that the island's economy would contract by 4.0% in 2020.⁹⁶ The island's economy in inflation-adjusted terms turned out to have contracted by 3.1% in 2020.⁹⁷

<https://www.reuters.com/article/business/us-judge-denies-request-for-outsider-to-oversee-puerto-ricos-prepa-idUSKBN1DD2MQ/>. Also see Mary Williams Walsh, "In Puerto Rico, Law Passed for Fiscal Crisis Hampers Storm Recovery," *New York Times*, November 16, 2017, <https://www.nytimes.com/2017/11/16/business/dealbook/puerto-rico-promesa-hurricane.html>.

⁹⁰ U.S. Geological Survey, "Magnitude 6.4 Earthquake in Puerto Rico," January 29, 2020, <https://www.usgs.gov/news/featured-story/magnitude-64-earthquake-puerto-rico>.

⁹¹ Peter Maloney, "How PREPA Brought Earthquake-Damaged Plant Online Ahead of Isaias," American Public Power Association, August 24, 2020, <https://web.archive.org/web/20210626205015/https://www.publicpower.org/periodical/article/how-prepa-brought-earthquake-damaged-plant-online-ahead-isaias> (hereinafter Maloney, "How PREPA Brought Earthquake-Damaged Plant Online").

⁹² PREPA, "January 2020 Earthquakes: Effect on Existing Resources," PowerPoint slides, February 5, 2020, <https://app.box.com/s/fuvsx24ceblv64drskvohiru8thsywt>. Also see, U.S. Energy Information Administration, "Puerto Rico's Electricity Generation Mix Changed Following Early 2020 Earthquakes," June 24, 2020, <https://www.eia.gov/todayinenergy/detail.php?id=44216>.

⁹³ Tim Frace, "Puerto Rico Earthquake: EcoEléctrica Restarts LNG Power Generation and Desalination in Days," LinkedIn post, February 27, 2020, <https://www.linkedin.com/pulse/puerto-rico-earthquake-ecoel%C3%A9ctrica-restarts-lng-power-tim-frace>. Also see Federal Energy Regulatory Commission (FERC), In re: EcoEléctrica, *Remedial Order*, docket CP95-35-000, March 26, 2020, <https://www.ferc.gov/sites/default/files/2020-06/20200326195929-CP95-35-000.pdf>.

⁹⁴ Maloney, "How PREPA Brought Earthquake-Damaged Plant Online."

⁹⁵ OpenFEMA, "Disaster Declarations Summaries," as of 2026.

⁹⁶ U.S. Congress, House Natural Resources Committee, *PROMESA Implementation During the Coronavirus Pandemic*, 116th Cong., 2nd sess., June 11, 2020, Committee on Natural Resources Serial No. 116-35, <https://congressional.proquest.com/congressional/docview/t29.d30.hrg-2020-hnr-2011120>.

⁹⁷ Apéndice Estadístico del Informe Económico a la Gobernadora y a la Asamblea Legislativa 2025 [Statistical Appendix of the Economic Report of the Governor to the Legislative Assembly, 2025], Table 3, October 2025, <https://www.estadisticas.pr.gov/blogposts/informe-economico-a-la-gobernadora-y-a-la-asamblea-legislativa-2025>.

Hurricane Fiona, which landed as a category 1 hurricane in September 2022, caused island-wide power outages and prompted a major disaster declaration under the Stafford Act.⁹⁸ Tropical Storm Ernesto landed on August 13, 2024, and also prompted a major disaster declaration.⁹⁹

Federal Disaster Recovery Funding and Administration

Congress has appropriated substantial sums for disaster recovery and rebuilding in Puerto Rico. In December 2025, the government of Puerto Rico reported that federal agencies had obligated approximately \$85 billion for disaster recovery from these incidents.¹⁰⁰ About \$20 billion in funding was provided for energy priorities, aside from funding provided through the Inflation Reduction Act (P.L. 117-169).¹⁰¹

The Federal Emergency Management Agency (FEMA) and the U.S. Department of Housing and Urban Development (HUD) administer most of the disaster response funding. Congress also provided \$1 billion in disaster assistance funding to be administered by the U.S. Department of Energy (DOE). In addition, DOE had announced or provided other funding for energy projects in Puerto Rico.¹⁰²

FEMA administers its assistance for Puerto Rico primarily through the Public Assistance (PA) program and the Hazard Mitigation Grant Program (HMGP).¹⁰³ The government of Puerto Rico is designated as the recipient of FEMA assistance available under Stafford Act declarations for the 2017 hurricanes and subsequent disasters.¹⁰⁴ Then-Governor Ricardo Rosselló Nevares delegated responsibility for administration of several forms of federal disaster assistance to the Central Office of Recovery, Reconstruction and Resiliency (COR3) in 2017.¹⁰⁵

HUD's Community Development Block Grant-Disaster Recovery (CDBG-DR) program provides other significant federal assistance. Following Hurricanes Irma and María, in a series of separate legislative actions, Congress appropriated recovery funding for Puerto Rico through the CDBG-

⁹⁸ U.S. Department of Commerce, National Oceanic and Atmospheric Administration, National Weather Service, "Hurricane Fiona—September 17-19, 2022," <https://www.weather.gov/sju/fiona2022>. Also see White House, "President Joseph R. Biden, Jr. Approves Puerto Rico Disaster Declaration," September 22, 2022, <https://web.archive.org/web/20220927162751/https://www.whitehouse.gov/briefing-room/presidential-actions/2022/09/21/president-joseph-r-biden-jr-approves-puerto-rico-disaster-declaration-2/>.

⁹⁹ Federal Emergency Management Agency (FEMA), *Preliminary Damage Assessment Report: Puerto Rico—Tropical Storm Ernesto*, FEMA-4850-DR, https://www.fema.gov/sites/default/files/documents/PDARreport_FEMA4850DR-PR.pdf.

¹⁰⁰ Puerto Rico Central Office for Reconstruction, Recovery, and Resiliency (COR3), *Fourteenth Congressional Status Report on the Economic and Disaster Recovery Plan of Puerto Rico*, December 31, 2025, p. 7 (hereinafter COR3, *Fourteenth Congressional Status Report*), https://recovery.pr.gov/documents/14th_Congressional_Report_on_PR_Economic_and_Disaster_Recovery_Plan_20251231T154128.713Z.pdf.

¹⁰¹ U.S. Department of Energy (DOE), "Fact Sheet: Biden-Harris Administration's Historic Investments in Puerto Rico's Energy Grid," January 10, 2025, <https://www.energy.gov/articles/fact-sheet-biden-harris-administrations-historic-investments-puerto-ricos-energy-grid>.

¹⁰² For information on funding from other programs, see CRS In Focus IF12913, *Electric Reliability and Resiliency in Puerto Rico*, by Corrie E. Clark.

¹⁰³ For more information on Public Assistance (PA), the Hazard Mitigation Grant Program (HMGP), and Community Development Block Grant—Disaster Recovery (CDBG-DR) funds available to Puerto Rico following the 2017 hurricanes, see CRS Report R46609, *The Status of Puerto Rico's Recovery and Ongoing Challenges Following Hurricanes Irma and María: FEMA, SBA, and HUD Assistance*, coordinated by Elizabeth M. Webster.

¹⁰⁴ 2 C.F.R. §200.86.

¹⁰⁵ Government of Puerto Rico, Executive Order of the Governor of Puerto Rico, Hon. Ricardo A. Rosselló Nevares, "To Create the Central Recovery and Reconstruction Office of Puerto Rico," Administrative Bulletin No. OE-2017-65, October 23, 2017, <https://noticiasmicrojuris.files.wordpress.com/2017/10/oe-2017-065.pdf>.

DR and CDBG-Mitigation (CDBG-MIT) programs. Then-Governor Rosselló tasked the Puerto Rico Department of Housing (PRDOH) with administering the CDBG-DR program in collaboration with COR3.¹⁰⁶

COR3 and Government Accountability Office (GAO) reports of funds for the permanent reconstruction of PREPA's facilities and infrastructure following Hurricane María and other disasters are listed in **Table 1**.

Table 1. Federal Funds for the Permanent Reconstruction of PREPA's Electrical Grid

As of July 8, 2026, for FEMA, as of February 2026 for CDBG, according to COR3 and GAO

Program	Amount Obligated (billions)	Amount Disbursed (billions)
FEMA Public Assistance	\$10.7 ^a	\$2.7
FEMA HMGP	\$0.13 ^b	\$0.07
CDBG-Energy ^c	\$1.9 ^d	\$0.30
CDBG-MIT ^c	\$0.34	\$0.28

Sources COR3, “Transparency Portal,” CRS cannot validate the accuracy of FEMA’s or COR3’s data. GAO has previously found FEMA’s and COR3’s data “sufficiently reliable” for its investigations into the course of Puerto Rico’s recovery. (See, for example, GAO, *Puerto Rico Disasters: Progress Made but Recovery Continues to Face Challenges*, GAO-24-105557, February 2024). Various entities have reported disaster response funds in different ways, which complicates efforts to cross-check data.

- a. COR3, “Transparency Portal: Table View,” reflects “Total Obligated” and “Total Disbursed” Public Assistance for the Puerto Rico Electric Power Authority (PREPA) for “Category F: Utilities,” for 2019-2020 Earthquakes (DR-4473), Hurricane Fiona (DR-4671), Hurricane Irma (DR-4336), Hurricane Maria (DR-4339) and Severe Storms, Flooding, Landslides, and Mudslides (DR-4805).
- b. This reflects data on COR3, “Transparency Portal: Table View,” which reflects “Total Obligated” and “Total Disbursed” HMGP for the Puerto Rico Electric Power Authority (PREPA) for 2019-2020 Earthquakes (DR-4473), Hurricane Fiona (DR-4671), Hurricane Irma (DR-4336), Hurricane Maria (DR-4339). PREPA reported an overall HMGP allocation of approximately \$1.5 billion (Testimony of Josue Colon, Executive Director, PREPA, in U.S. Congress, House Committee on Transportation and Infrastructure, Subcommittee of Economic Development, Public Buildings, And Emergency Management, *Recovery Update: Status of FEMA Recovery Efforts in Puerto Rico and U.S. Virgin Islands 5 Years After Hurricanes Irma and Maria*, hearing, 117th Cong., 2nd sess., November 15, 2022).
- c. GAO, *Puerto Rico Grid Recovery: Limited Progress Toward Stability and Opportunities Exist to Improve Federal Assistance*, GAO-26-107772, June 2026, Appendix IV. Data reflect activity as of February 2026. A Puerto Rico Department of Housing Farm and Energy Resilience Program funded by the U.S. Department of Housing and Urban Development is not shown in the table; \$8 million was obligated for that program, of which \$2 million has been disbursed.
- d. COR3, *Seventh Congressional Status Report*, January 31, 2022, p. 35 (hereinafter COR3, *Seventh Congressional Status Report*), [https://recovery.pr.gov/documents/Seventh%20Congressional%20Report%20\(4-7-2022\)%20FINAL.pdf](https://recovery.pr.gov/documents/Seventh%20Congressional%20Report%20(4-7-2022)%20FINAL.pdf).

Slow Pace of Federal Funding for Post-Hurricane Rebuilding

The pace of contract administration and project completion, however, has been slow for several reasons, including rising costs and liquidity constraints,¹⁰⁷ and the use of “alternative procedures”

¹⁰⁶ Puerto Rico Department of Housing (PRDOH), *Action Plan for the Use of CDBG-DR Funds* (Amendment 3), p. v.

¹⁰⁷ See “Causes for Delays in the Provision of Federal Assistance to Puerto Rico” in CRS Report R46609, *The Status of Puerto Rico’s Recovery and Ongoing Challenges Following Hurricanes Irma and María: FEMA, SBA, and HUD Assistance*, coordinated by Elizabeth M. Webster. Also see GAO, *Puerto Rico Disasters: Progress Made, but the* (continued...)

under Section 428 of the Stafford Act to administer disaster funding.¹⁰⁸ The geographic, technical, and economic challenges noted previously also hindered progress. In particular, the slow pace of approvals and disbursements has complicated the path to recovery for Puerto Rico's electrical system.¹⁰⁹

Privatizing PREPA and Policy Disruptions

Initiatives to Privatize PREPA Advance in 2018

In January 2018, the Oversight Board and Governor Rosselló Nevares proposed privatization of PREPA's generation plants and its electrical power grid, that is, its transmission and distribution systems.¹¹⁰ Privatization arrangements can take many different forms. In particular, the division of responsibilities and operational controls is a key design element for such arrangements.¹¹¹

In June 2018, Puerto Rico enacted the Transformation of the Electrical System of Puerto Rico Act, establishing a path for privatizing public infrastructure assets such as PREPA.¹¹² The act also stated that PREC would have no authority over partnership contracts or sales contracts.¹¹³

Public Sector Reorganization, Updating Energy Policy, and Political Turmoil

In August 2018, Act 211-2018 reorganized the Puerto Rico Energy Commission (PREC) as the Puerto Rico Energy Bureau (PREB) as part of a larger administrative restructuring.¹¹⁴ PREB

Recovery Continues to Face Challenges, GAO-24-105557, February 13, 2024, <https://www.gao.gov/products/gao-24-105557>.

¹⁰⁸ U.S. Department of Homeland Security, Federal Emergency Management Agency (FEMA), *Public Assistance Alternative Procedures (Section 428): Guide for Permanent Work*, FEMA-4339-DR-PR, February 10, 2020, https://recovery.pr.gov/documents/PAAP_Guide_for_Permanent_Work_DR_4339_PR_V3_2_10_2020_FINAL_508.pdf.

¹⁰⁹ CRS In Focus IF12913, *Electric Reliability and Resiliency in Puerto Rico*, by Corrie E. Clark. Also see GAO, *Puerto Rico Grid Recovery: Limited Progress Toward Stability and Opportunities Exist to Improve Federal Assistance*, GAO-26-107772, June 2026, <https://www.gao.gov/products/gao-26-107772>.

¹¹⁰ Ricardo Rosselló Nevares, "Message of the Governor of Puerto Rico," January 22, 2018, <http://gfr-ph-assets.s3.amazonaws.com/docs/2018/01/22/mensajedelgobernadordepuertorico22enero2018.pdf>. Also see PREPA, "PREPA's Governing Board Adopts a New Vision for the Transformation Announced by the Governor of Puerto Rico," press release, February 1, 2018.

¹¹¹ For a detailed analysis of energy policy since enactment of the ALIVIO Act, see Ángel R. Rivera de la Cruz, "La Nueva Política Pública Energética de Puerto Rico: Estado de la Implementación a Diez Años de su Aprobación," *Revista Jurídica UPR*, vol. 92, no. 3, 2025, pp. 823-703, ["Puerto Rico's New Energy Public Policy: State of Implementation Ten Years After Its Passage"] <https://derecho.uprrp.edu/revistajuridica/wp-content/uploads/sites/4/2026/03/Angel-R.-Rivera-de-la-Cruz-La-nueva-politica-publica-energetica-de-Puerto-Rico-Estado-de-la-implementacion-a-diez-anos-de-su-aprobacion-94-REV.-JUR.-UPR-623-2025.pdf> (hereinafter Rivera de la Cruz, "La Nueva Política Pública Energética de Puerto Rico.")

¹¹² Act 120-2018, <https://sutra.oslpr.org/SutraFilesGen/123953/A-120-2018.pdf>. Ley para Transformar el Sistema Eléctrico de Puerto Rico, 18 L.P.R.A. 120 (P. de la C. 1481) (explaining that PREPA "is expressly authorized to sell its assets related to generation and transfer or delegate any of its operations, functions or services"), June 20, 2018, <https://bvirtualogp.pr.gov/ogp/Bvirtual/leyesreferencia/PDF/Energ%C3%ADa/120-2018.pdf>.

¹¹³ Act 120-2018 §8(d). "La Comisión no tendrá autoridad para alterar o enmendar el Contrato de Alianza o el Contrato de Venta y no interferirá con asuntos operaciones o contractuales." ["The Commission will not have the authority to alter or amend the partnership contract or the sales contract and will not interfere with operational or contractual matters."] PREC was authorized to prepare a work plan for the supervision of each partnership contract.

¹¹⁴ Act 211-2018, <https://bvirtualogp.pr.gov/ogp/Bvirtual/leyesreferencia/PDF/2-ingles/0211-2018.pdf>. The act (§56) amended the ALIVIO Act, among other provisions. PREB was given the power to approve PREPA bond issues. PREB (continued...)

retained most of the regulatory and oversight authorities of PREC. The Independent Consumer Protection Office was folded into a newly created Puerto Rico Public Service Regulatory Board.

Other developments around this time have also shaped Puerto Rico's energy policies.¹¹⁵ An advisory commission on energy transformation made recommendations taking into account developments in the five years following passage of the ALIVIO Act and especially PREPA's slow and inefficient responses to the 2017 hurricanes. In April 2019, those recommendations were largely incorporated into the Puerto Rico Energy Public Policy Act. The act called for ending coal-fired power generation by 2032, modified the 2014 ALIVIO Act's renewable energy goals, and set goals for modernizing the electrical grids. The act also called for expanding PREPA's interconnection with renewable energy sources and set the eventual goal of stabilizing electrical supply at \$0.20/kWh.¹¹⁶ In March 2026, the average effective residential electricity rate in Puerto Rico was approximately \$0.244/kWh, while the U.S. average was \$0.186/kWh.¹¹⁷

Political events complicated the policy landscape. In July 2019, the managing partner and other employees of the audit firm used by PREPA were indicted on corruption charges.¹¹⁸ In August 2019, Governor Rosselló Nevares and several of his senior advisors resigned after transcripts of chats with close advisors were released.¹¹⁹ On August 7, 2019, Wanda Vázquez Garced, the Puerto Rican justice minister, was sworn in as the governor of Puerto Rico.¹²⁰

Privatization of Puerto Rico's Grid and Power Generation

The grid privatization process started with a request for qualifications issued at the end of October 2018, which culminated in a 15-year operation and maintenance agreement signed with

regulations, however, were to be promulgated in consultation with the Puerto Rico Department of Economic Development and Commerce. Act 211-2018 §56.

¹¹⁵ Tomás J. Torres Placa and Ramon J. Cao García, "Introduction to Puerto Rico's Energy Transformation: An Analysis of Key Documents and Plans Towards the Reconstruction of the Electric System," *Electricity Journal*, vol. 34 (2021).

¹¹⁶ Act 17-2019, enacted April 11, 2019, <https://bvirtualogp.pr.gov/ogp/Bvirtual/leyesreferencia/PDF/2-ingles/17-2019.pdf>. For details on its provisions, see Rivera de la Cruz, "La Nueva Política Pública Energética de Puerto Rico," pp. 649-651.

¹¹⁷ For comparison, the average residential rate for the contiguous and noncontiguous United States (inclusive of Alaska, Hawaii, and the District of Columbia) is \$0.17/kWh for October 2025. EIA, "Puerto Rico," <https://www.eia.gov/states/RQ/data>.

¹¹⁸ U.S. v. Kelleher et al., Indictment, July 9, 2019, https://web.archive.org/web/20220726000119/https://ntc-legacy-assets.s3.amazonaws.com/document_dev/2019/07/10/document_OP_1_CP_1562766076091_38966829_ver1.0.pdf. Also see U.S. Department of Justice, "Former Secretary of Puerto Rico Department of Education and Former Executive Director of Puerto Rico Health Insurance Administration Indicted with Four Others for Conspiracy, Wire Fraud, Theft of Government Funds, and Money Laundering," press release, July 10, 2019, <https://www.justice.gov/usao-pr/pr/former-secretary-puerto-rico-department-education-and-former-executive-director-puerto-1>.

¹¹⁹ Gerardo E. Alvarado León, "Ricardo Rosselló Renuncia Como Gobernador Efectivo el 2 de Agosto" ["Ricardo Rosselló Resigns as Governor Effective August 2"], *El Nuevo Día*, July 24, 2019, <https://www.elnuevodia.com/noticias/locales/notas/ricardo-rossello-renuncia-como-gobernador-efectivo-el-2-de-agosto/> (hereinafter Alvarado León, "Ricardo Rosselló Renuncia Como Gobernador").

¹²⁰ Vázquez Garced was indicted on June 30, 2025, accused of accepting a campaign contribution from a foreign national. She pleaded guilty on August 27, 2025, but was pardoned in January 2026. U.S. v. Vazquez-Garced, 3:25-cr-00296, <https://www.courtlistener.com/docket/70703313/united-states-v-vazquez-garced/>. See also U.S. Department of Justice, "Former Governor of Puerto Rico Arrested in Bribery Scheme," press release, August 4, 2022, <https://www.justice.gov/archives/opa/pr/former-governor-puerto-rico-arrested-bribery-scheme>. She received a pardon on January 15, 2026. U.S. Department of Justice, pardon warrant, <https://web.archive.org/web/20260527230334/https://www.justice.gov/pardon/media/1424231/dl?inline>.

LUMA in June 2020.¹²¹ LUMA, a joint venture of Canadian Utilities Limited, a unit of ATCO Limited, and Quanta Services Inc., began operating and managing the transmission and distribution system on June 1, 2021.¹²² LUMA now also handles billing and collections.

The process of awarding the grid contract to LUMA and its subsequent performance raised widespread contention.¹²³ LUMA has contended it was making historic progress toward rebuilding Puerto Rico's electrical grid, including having started over 500 FEMA-funded projects, 187 of which were in progress or completed. LUMA also complained about delays and complications related to FEMA procedures as well as due to PREPA's legacy of financial and operational precarity.¹²⁴ Others have been more critical of LUMA's performance, leading some, including the current governor, to call for cancellation of its contract. Delays in federal disaster response funding, among other factors, have hampered LUMA's ability to maintain and rebuild the electrical grid.¹²⁵ Litigation regarding LUMA's contract is ongoing.

In January 2023, PREPA and the Puerto Rico Public-Private Partnerships Authority signed an operations and maintenance agreement with Genera, a subsidiary of New Fortress Energy (NFE).¹²⁶ In 2019, PREPA had signed a natural gas fuel delivery contract with an NFE subsidiary.¹²⁷ Genera began operating and managing PREPA's non-hydropower generation assets on July 1, 2023.¹²⁸ PREPA continues to operate its hydroelectric power plants, which account for

¹²¹ Puerto Rico Public-Private Partnership Authority, "Puerto Rico Public-Private Partnership for the Electric Power Transmission and Distribution System," Partnership Committee Report, May 15, 2020. Also see U.S. Congress, House Committee on Natural Resources, *The Transformation of the Puerto Rico Electric Power Authority (PREPA)*, 116th Cong., 2nd sess., July 23, 2020, Serial No. 116-39, <https://www.congress.gov/event/116th-congress/house-event/LC65621/text?s=1&r=3>. The June 2020 executed agreement is at <https://web.archive.org/web/20251212000427/https://docs.pr.gov/files/P3-PublicaPrivadas/Projects/Projects/TD%20-%20LUMA/OM%20Agreement/executed-consolidated-om-agreement-td.pdf>.

¹²² See ATCO Ltd, "ATCO and Quanta form LUMA to Transform Puerto Rico's Electricity System," *Cision*, June 22, 2020, <https://www.newswire.ca/news-releases/atco-and-quanta-form-luma-to-transform-puerto-rico-s-electricity-system-827393188.html>; Dánica Coto, "In Puerto Rico, Private Company Takes Over Power Utility Service," AP News, June 1, 2021.

¹²³ Cathy Kunkel and Tom Sanzillo, "Puerto Rico Grid Privatization Flaws Highlighted in First Two Months of Operation," August 2021, https://ieefa.org/wp-content/uploads/2021/08/Puerto-Rico-Grid-Privatization-Flaws-Highlighted-in-First-Two-Months-of-Operation_August-2021.pdf.

¹²⁴ LUMA, "Quanta CEO Reaffirms Commitment to Puerto Rico's Energy Future Calls for Greater Cooperation to Support Progress & FEMA-Funded Projects," press release, September 24, 2015, <https://lumapr.com/news/quanta-ceo-reaffirms-commitment-to-puerto-ricos-energy-future-calls-for-greater-cooperation-to-support-progress-fema-funded-projects/?lang=en>.

¹²⁵ GAO, *Puerto Rico Grid Recovery: Limited Progress Toward Stability and Opportunities Exist to Improve Federal Assistance*, GAO-26-107772, June 2, 2026, <https://www.gao.gov/products/gao-26-107772>.

¹²⁶ Sergio M. Marxuach, "Analysis of PREPA Legacy Assets Public-Private Partnership Agreement," March 15, 2023, <https://grupocne.org/2023/03/15/analysis-of-prepa-legacy-assets-public-private-partnership-agreement/>.

¹²⁷ NFENERGÍA and PREPA, "Fuel Sale and Purchase Contract," March 5, 2019, <https://ieefa.org/wp-content/uploads/2020/06/Fuel-Sale-and-Purchase-Agreement-Contrato-PREPA-NFE-Mar-05-2019.pdf>. PREPA commenced negotiations for a floating liquified natural gas (LNG) terminal beside a San Juan power plant without obtaining permits from PREB or the Federal Energy Regulatory Commission. PREC, In re: Proposals for conversion of San Juan Units 5 & 6 to natural gas, Resolution and Order, case CEPR-AI-2018-0001, October 7, 2018, <https://energia.pr.gov/wp-content/uploads/sites/7/2018/10/Resolution-and-Order-CEPR-AI-2018-0001.pdf>. Also see U.S. Court of Appeals for District of Columbia, *New Fortress Energy v. FERC*, Opinion, No. 21-1122, June 14, 2022, <https://drive.google.com/file/d/1GOhk9Wp61gnx5sEJoWtpMqTNBS4TILAv/view>. Also see Josh Dzieza, "When Will Puerto Rico Have Power," *The Verge*, October 26, 2022, <https://www.theverge.com/c/features/23404252/puerto-rico-hurricane-maria-electric-grid-solar-panels-prepa-luma-fema> (hereinafter Dzieza, "When Will Puerto Rico Have Power").

¹²⁸ PREB, *Resolution and Order*, case NEPR-MI -2022-0005, July 3, 2023, <https://energia.pr.gov/wp-content/uploads/sites/7/2023/07/20230713-MI20220005-Resolution-and-Order.pdf>.

a minor share of electricity generation. The Oversight Board commissioned a third-party report that concluded in November 2025 that Genera's expenditures had yet to improve reliability and adequacy.¹²⁹ According to the report, the age and inefficiency of almost all PREPA major generation plants have diminished capacity and reliability to the point that calls for "total plant teardowns and full unit replacement."¹³⁰

Updated Integrated Resources Plan for PREPA

In March 2018, PREB initiated the process for a new PREPA integrated resource plan (IRP). An IRP is a 20-year plan developed by the electric grid operator that considers how potential resources would meet the expected demand for electric power services.¹³¹ In August 2020, PREB approved a revised IRP.¹³² PREB approved certain investments to ensure energy reliability, but warned PREPA "NOT [to] interfere with or delay the procurement of solar PV [photovoltaic] (or other renewable energy) and battery energy storage resources as directed in the Modified Action Plan." PREB held that PREPA should "retire its older, oil-fired steam assets in order of the declining cost to operate when they are no longer necessary for system reliability." PREPA's IRP submission projected that demand for electricity over the next two decades would fall by 0.23% per year on average.¹³³

Disruptions in Governance and Power Supply in 2021

In July 2021, five PREPA board members resigned over disagreements over executive pay and their belief that they "no longer have the support to perform the politically unpopular tasks necessary to drive the change from within PREPA."¹³⁴

Widespread power outages in 2021 raised concerns about the condition of PREPA and LUMA's performance in running the island's power grid.¹³⁵ Outages that followed Hurricane Fiona in September 2022 generated further concerns.¹³⁶

Department of Energy PR100 Report and LUMA IRP

In 2022, the U.S. Department of Energy, which has worked with local partners on Puerto Rico's energy systems since the aftermath of Hurricane María, began work on a two-year study of the

¹²⁹ EnerNex, "Review of Puerto Rico Energy System Expense Projections in the 2025 PREPA Fiscal Plan," November 2025, p. 14, <https://oversightboard.pr.gov/enemex-report-review-of-puerto-rico-energy-system-expense-projections-in-the-2025-prepa-fiscal-plan/>.

¹³⁰ EnerNex, "Review of Puerto Rico Energy System Expense Projections in the 2025 PREPA Fiscal Plan", p. 16.

¹³¹ PREB, *Resolution and Order*, PREB docket no. CEPR-AP-2018-0001, March 15, 2018, <https://energia.pr.gov/wp-content/uploads/sites/7/2018/03/Resolution-and-Order-IRP-CEPR-AP-2018-0001.pdf>. The ALIVIO Act requires an IRP update every three years.

¹³² PREB, *Final Resolution and Order on PREPA's Integrated Resource Plan*, CEPR-AP-2018-0001, August, 24, 2020, <https://energia.pr.gov/wp-content/uploads/sites/7/2020/08/AP20180001-IRP-Final-Resolution-and-Order.pdf>.

¹³³ PREB, *Final Resolution and Order on PREPA's Integrated Resource Plan*, pp. 4, 10, 32.

¹³⁴ Karen Pierog and Jessica Resnick-Ault, "Puerto Rico Power Utility Board Quits, Leaving Leadership Void," Reuters, July 12, 2018, <https://www.reuters.com/article/us-usa-puertorico-prepa/puerto-rico-power-utility-board-quits-leaving-leadership-void-idUSKBN1K22QS>.

¹³⁵ U.S. Congress, House Committee on Natural Resources, *Oversight Hearing, PREPA Post-Implementation of the LUMA Transmission and Distribution Contract*, 117th Cong., 1st sess., October 6, 2021, Serial No. 117-9.

¹³⁶ House Committee on Energy & Commerce, "E&C Leaders Demand Answers from LUMA Energy in Wake of Puerto Rico's Power Outages from Hurricane Fiona," press release, September 27, 2022, <https://web.archive.org/web/20221002190851/https://energycommerce.house.gov/newsroom/press-releases/ec-leaders-demand-answers-from-luma-energy-in-wake-of-puerto-rico-s-power>.

island's electrical grid and energy policy options to help inform choices of island policymakers.¹³⁷ The authors of the report aimed to analyze and describe how Puerto Rico could meet the goal set in Act 17-2019 to transition to 100% renewable energy by 2050. The authors coordinated with LUMA so that, among other purposes, the report could inform the development of LUMA's IRP for the electric power system. The report and associated databases were released in March 2024.¹³⁸

In July 2023, LUMA initiated the process to update the 2020 IRP, which included some findings of the PR100 report and other developments, such as the commencement of Genera's control of generation assets. LUMA submitted an IRP to PREB on October 17, 2025.¹³⁹

Debt Restructuring Negotiations

After the Oversight Board rejected an RSA in 2017 and entered PREPA into the PROMESA Title III process, the board negotiated a second RSA with PREPA, AAFAF, and some members of the ad hoc coalition of PREPA creditors. The board approved it on July 30, 2018.

Third Restructuring Support Agreement Reached in 2019

Further negotiations among the Oversight Board, Puerto Rico government agencies, and a coalition of creditors led to a third RSA put forth in May 2019.¹⁴⁰ The agreement envisioned restructuring PREPA obligations by exchanging existing bonds for two sets of new bonds issued by a special purpose vehicle (SPV). For instance, an investor holding \$100,000 in PREPA bonds would receive \$67,500 in Tranche A bonds and \$10,000 in Tranche B bonds and might receive other benefits as well.¹⁴¹ Those terms resembled those in the previous RSA. The third TSA added provisions to ensure that bonds held or insured by Assured Guaranty and related entities would enjoy special treatment.¹⁴²

Those bonds would be supported by a transition charge added to electric bills starting at about \$0.028/kWh and over two decades rising to about \$0.045/kWh. The transition charge, in general, would apply even to those generating their own electricity.¹⁴³ Several observers criticized this

¹³⁷ DOE, Grid Deployment Office, "Puerto Rico Grid Resilience and Transitions to 100% Renewable Energy Study (PR100)," 2022, <https://web.archive.org/web/20230124013852/https://www.energy.gov/gdo/puerto-rico-grid-resilience-and-transitions-100-renewable-energy-study-pr100>. Also see Sergio M. Marxuach, "Analysis of PR100 Summary Report," March 13, 2024, <https://grupocne.org/2024/03/13/an-analysis-of-pr100-summary-report/>.

¹³⁸ Murali Baggu and Robin Burton, eds., *Puerto Rico Grid Resilience and Transitions to 100% Renewable Energy Study (PR100): Final Report*, National Renewable Energy Laboratory, NREL/TP-6A20-88384, 2024, <https://web.archive.org/web/20250119010509/https://www.nrel.gov/docs/fy24osti/88384.pdf>. The Trump Administration removed the report from the DOE website.

¹³⁹ Motion Submitting 2025 IRP and Request for Confidential Treatment, *In re: Review of the PREPA Integrated Res. Plan*, No. NEPR-AP-2023-0004 (NEPR Oct. 17, 2025).

¹⁴⁰ "Definitive Restructuring Support Agreement," May 3, 2019, <https://drive.google.com/file/d/1OMnHcCEAIXCOXH3kYoypqI77C2VFHdX2/view>.

¹⁴¹ Sergio Marxuach, "PREPA Debt Restructuring 3.0: It is Even Worse Than You Think," Center for a New Economy, May 2019, <https://grupocne.org/wp-content/uploads/2019/05/PREPA-Debt-Restructuring-3.0-FINAL.pdf> (hereinafter Marxuach, "PREPA Debt Restructuring 3.0"). Also see "Definitive Restructuring Support Agreement," pp. 76-77.

¹⁴² "Definitive Restructuring Support Agreement," pp. 78-81. In October 2019, Assured Guarantee bought the hedge fund Blue Mountain Capital Management, which in September 2020 was renamed Assured Investment Management. Blue Mountain, along with other creditors, successfully challenged Puerto Rico's attempt to enact a local bankruptcy law. See *Puerto Rico v. Franklin Cal. Tax-Free Trust*, 579 U.S. 115 (2016).

¹⁴³ "Definitive Restructuring Support Agreement," pp. 99-100.

RSA as having insufficient debt relief to ensure PREPA's solvency and reasonable consumer rates in the future, among other grounds.¹⁴⁴

Debt Restructuring Negotiations Hit Standstill in 2022

In March 2022, the Puerto Rican government—through FAFAA, the agency handling its negotiations—terminated the 2019 RSA.¹⁴⁵ The PROMESA Title III Judge Swain rejected a creditor coalition's request to impose deadlines on the negotiation process. Instead, she ordered the "Oversight Board ... [to] engage in good faith, in a focused manner, in efforts to negotiate and/or determine the parameters of an appropriate plan of adjustment for PREPA." In particular, Judge Swain set deadlines for the Oversight Board to submit a plan of adjustment and to propose a schedule for litigation.¹⁴⁶ Those deadlines were extended in June 2022.¹⁴⁷

The Oversight Board, having been challenged to explain why the stays on litigation set by PROMESA should be maintained, contended that a plan confirmed through the Title III process was the only way to obtain reductions in debt sufficient to allow PREPA to regain access to capital markets and to deliver electric power on a reliable basis.¹⁴⁸

At the end of September 2022, Judge Swain ordered the Oversight Board to submit a confirmable plan by December 1, 2022, and set other deadlines for related legal filings.¹⁴⁹ In December 2022, the Oversight Board proposed a settlement offering \$2.6 billion to creditors.¹⁵⁰ As with other PROMESA Title III debt restructurings, old PREPA bonds would be exchanged for two sets of new bonds issued by a special purpose vehicle (SPV).¹⁵¹

Appeals Court Backs PREPA Bondholder Claims in 2024

In March 2023, Judge Swain held that the language of the 1974 trust agreement severely limited creditors' claims and security interests. Bondholders appealed, and in June 2024, the U.S. Court of Appeals for the First Circuit largely sided with those creditors, holding that the bondholders'

¹⁴⁴ Tom Sanzillo, "Puerto Rico Electric Power Authority Debt Restructuring: A Weak Deal Plagued by Scandal," Institute for Energy Economics and Financial Analysis, August 2019, <https://ieefa.org/articles/ieefa-report-puerto-rico-electric-power-authority-debt-deal-weak-and-plagued-scandal>.

¹⁴⁵ Sergio Marxuach, "PREPA's Debt Restructuring—What's Next?" Center for a New Economy, March 24, 2022, <https://grupocne.org/2022/03/24/prepas-debt-restructuring-whats-next/>.

¹⁴⁶ Order Denying Urgent Motion of the Ad Hoc Group of PREPA Bondholders, In re PREPA, No. 17-4780 (D.P.R. Mar. 8, 2022), Dkt. No. 2748, <https://cases.ra.kroll.com/puertorico/Home-DownloadPDF?id1=MTA4NjQ1Ng==&id2=-1>.

¹⁴⁷ Order Granting the Urgent Motion of the Financial Oversight and Management Board, In re PREPA, No. 17-4780 (D.P.R. June 29, 2022), Dkt. No. 2874, <https://cases.ra.kroll.com/puertorico/Home-DownloadPDF?id1=MTEwMDA0NQ==&id2=-1>.

¹⁴⁸ Omnibus Reply of Financial Oversight and Management Board (Corrected), In re PREPA, No. 17-4780 (D.P.R. Sept. 20, 2022), Dkt. No. 2990, <https://cases.ra.kroll.com/puertorico/Home-DownloadPDF?id1=MTEwOTA5Ng==&id2=-1>.

¹⁴⁹ Order Establishing Schedule to Continue Negotiations, In re PREPA, No. 17-BK-4780 (D.P.R. Sept. 29, 2022), Dkt. No. 3013, <https://cases.ra.kroll.com/puertorico/Home-DownloadPDF?id1=MTEwOTY1MA==&id2=-1>.

¹⁵⁰ Oversight Board, "Oversight Board Files Plan of Adjustment to Significantly Reduce PREPA's Debt," press release, December 16, 2022, <https://drive.google.com/file/d/15svM10SPfz4ngqdkrE23VLku79W7x2fn/view>.

¹⁵¹ Marxuach, "PREPA Debt Restructuring 3.0." Also see "Definitive Restructuring Support Agreement," pp. 76-77.

claim was about \$8.5 billion, the sum of principal and interest on the bonds.¹⁵² The Title III court in July 2024 then stayed the PREPA litigation and later extended the stay through March 2025.¹⁵³

In November 2024, the First Circuit opinion was withdrawn and replaced with a revised opinion that supported bondholder claims in stronger terms.¹⁵⁴ The Title III court, as before, continued to urge the board and creditors to negotiate.¹⁵⁵

Oversight Board Proposes Fifth Amended Plan of Adjustment, Bondholders Seek Administration Expense Claim in 2025

In March 2025, the Title III court lifted the stay to allow the Oversight Board to submit a new plan of adjustment and set a schedule for the consideration of an administrative expense motion.¹⁵⁶ On March 28, 2025, the Oversight Board then put forth a Fifth Amended Plan of Adjustment that sought to address issues raised by the First Circuit's opinion.¹⁵⁷

On April 7, 2025, a coalition of PREPA bondholders filed a motion asking permission to file an administrative expense claim, stating that PREPA's "net revenues were the Bondholders' collateral" and that "bondholders are entitled to an administrative expense claim for PREPA's depletion of this collateral" during the period since the initial 2017 Title III petition.¹⁵⁸ The petition asked for an administrative expense priority claim of at least \$3.7 billion.

Although the First Circuit confirmed that bondholders have a confirmed interest in PREPA's net revenues, what constitutes "net revenues" remains a central point of dispute.

Administrative Expense Claim Denied, Appeal Filed

In March 2026, the Title III court denied the administrative expense claim, holding that the motion failed "as a matter of law to demonstrate that the Bondholders have an allowable

¹⁵² In re PREPA, 649 B.R. 381, 394 (D.P.R. 2023) and 104 F.4th 367 (1st Cir. June 12, 2024), <https://www.ca1.uscourts.gov/sites/ca1/files/opnfiles/23-2036P-01A.pdf>. Also see Chapman and Cutler, LLP, "First Circuit Rules PREPA Bondholders Have a Secured Claim on Current and Future Net Revenues," June 20, 2024, <https://www.chapman.com/publication-first-circuit-rules-prepa-bondholders-have-a-secured-claim-on-current-and-future-net-revenues>.

¹⁵³ Order Regarding PREPA Litigation Stay, In re PREPA, No. 17-4780 (D.P.R., July 11, 2024), Dkt. No. 5286, <https://document.epiq11.com/document/getdocumentbycode?docId=4354397&projectCode=PR1>. Also see Order Concerning Mediation Team's 18th Notice and Report, In re PREPA, No. 17-4780 (D.P.R., Jan. 29, 2025), Dkt. No. 5480, <https://document.epiq11.com/document/getdocumentbycode?docId=4432531&projectCode=PR1&source=DM>.

¹⁵⁴ In re PREPA, 121 F.4th 280 (1st Cir. Nov. 13, 2024), <https://www.ca1.uscourts.gov/sites/ca1/files/opnfiles/23-2036O-01A.pdf>. For summary, see petition of FAFAA, U.S. Supreme Court, March 21, 2025, http://www.supremecourt.gov/DocketPDF/24/24A915/352756/20250321172515989_AAFAP%20-%20Lien%20Challenge%20Application%20for%20Cert%20Petition%20Extension_pdfa.pdf.

¹⁵⁵ Transcript of Omnibus Hearing held on December 11, 2024, In re PREPA, No. 17-4780 (D.P.R., Dec. 13, 2024), Dkt. No. 4540, at pp.73-74, <https://cases.ra.kroll.com/puertorico/Home-DownloadPDF?id1=MTE5OTg2Mg==&id2=-1>.

¹⁵⁶ Order Regarding PREPA Litigation, In re PREPA, No. 17-4780 (D.P.R., March 20, 2025), Dkt. No. 5572, <https://document.epiq11.com/document/getdocumentsbydocket/?docketId=1148406&projectCode=PR1&docketNumber=5572&source=DM>.

¹⁵⁷ Disclosure Statement, Fifth Amended Disclosure Statement, March 28, 2025, https://drive.google.com/file/d/1ufx7OXWJZpE2ag63ewBF3_kwTdr-ZTXm/view.

¹⁵⁸ PREPA Bondholders' Motion and Memorandum of Law for Allowance of Administrative Expense Claim, In re: PREPA, No. 17-4780 (D.P.R., April 28, 2025), Dkt. No. 5599, <https://cases.ra.kroll.com/puertorico/Home-DownloadPDF?id1=MTE4NmJ1Mw==&id2=-1>.

administrative expense claim.”¹⁵⁹ The bondholders appealed the decision to the First Circuit Court of Appeals.¹⁶⁰ On September 24, 2026, that court affirmed the lower court’s decision.¹⁶¹

The bondholders’ original claim for roughly \$8.5 billion remains in litigation.

Title III Court Allows Accounting Counterclaim to Determine Net Revenues

In March 2026, the main bondholder coalition again petitioned the court to lift the stay on litigation provided for by Title III of PROMESA. Under the terms of the 1974 trust agreement, that would allow them to appoint a receiver for PREPA.¹⁶² Litigation and other actions to collect debts owed by PREPA have been stayed since 2016.

In April 2026, while that motion was under consideration, the Title III court granted a separate bondholder motion to lift the stay for the narrow purpose of determining what net revenues, if any, PREPA had earned.¹⁶³ The Oversight Board, FAFAA, and the unsecured creditors’ committee had proposed a similar means of addressing that issue. The court allowed bondholders to proceed with an accounting counterclaim to avoid issues raised by shifting economic forecasts.

Disputes have continued over what materials documenting PREPA finances and operations could be obtained through discovery. In May 2026, the Title III court limited bondholders’ ability to obtain discovery over various PREPA materials related to determining what net revenues had been earned. The court also limited some arguments that the Oversight Board, as PREPA’s representative in the Title III process, could make.¹⁶⁴

¹⁵⁹ Opinion and Order Denying [5599] Motion, In re: PREPA, No. 17-04780, (D.P.R., March 16, 2026), Dkt. No. 6063, p.7, <https://document.epiq11.com/document/getdocumentbycode?docId=4563205&projectCode=PR1&source=DM>. Also see Robert Slavin, “PREPA Bondholders’ \$3.7 Billion Administrative Expense Claim Rejected,” *Bond Buyer*, March 17, 2026.

¹⁶⁰ The case (docket 26-1330) was argued before the First Circuit Court of Appeals on September 15, 2026 (https://www.ca1.uscourts.gov/sites/ca1/files/oralargs/26-1330_20260915.mp3).

¹⁶¹ Opinion, First Circuit Court of Appeals, September 24, 2026, <https://www.ca1.uscourts.gov/sites/ca1/files/opnfiles/25-1745P-01A.pdf>.

¹⁶² PREPA Bondholders’ Renewed Motion for Relief from the Litigation Stay, In re: PREPA, No. 17-04780, (D.P.R., March 30, 2026), <https://document.epiq11.com/document/getdocumentsbydocket/?docketId=1217962&projectCode=PR1&docketNumber=6092&source=DM>.

¹⁶³ Order Concerning Joint Status Report in Response to the Title III Court’s March 16 and March 18, 2026 Orders, In re: PREPA, No.17-04780, (D.P.R., April 13, 2026), Dkt. No. 6114, <https://document.epiq11.com/document/getdocumentbycode?docId=4570250&projectCode=PR1&source=DM>. At page 2, the court held that “[t]he initial goal should be to resolve the parties’ disputes concerning the interpretation of terms under the Trust Agreement and provisions of the Bankruptcy Code and other applicable law in the context of the types of income and expenses that PREPA has incurred.”

¹⁶⁴ Order Allowing in Part and Denying in Part PREPA Bondholders Renewed Motion to Compel Discovery and Setting Discovery and Briefing Schedule, In re: PREPA, No. 17-04780, (D.P.R., May 12, 2026), Dkt. No. 6150, <https://document.epiq11.com/document/getdocumentsbydocket/?docketId=1224724&projectCode=PR1&docketNumber=6150&source=DM>.

In May 2026, Judge Swain denied the bondholders' earlier motion for a full lifting of the stay, holding that the accounting counterclaim process offered a better venue to resolve key issues.¹⁶⁵ Bondholders appealed that decision to the Court of Appeals for the First Circuit.¹⁶⁶

Other Developments in 2025

Jennifer González Colón was inaugurated as Puerto Rico's governor in January 2025. In March 2025, she signed into law Act 1-2025 to push back renewable energy goals and redirect funds earmarked for renewable energy projects to grid stabilization.¹⁶⁷

Governor González Colón Moves to Cancel LUMA Contract

During her gubernatorial campaign, González Colón called for cancelling the LUMA contract and reiterated that aim once in office.¹⁶⁸ In December 2025, her administration, through the Puerto Rico Public-Private Partnerships Authority (P3A) that oversees the LUMA contract, moved to have local courts declare the 2022 extension of the Supplemental Agreement to the Transmission and Distribution System Operation and Maintenance Agreement (T&D OMA) invalid under Puerto Rico laws and thus unenforceable.¹⁶⁹

LUMA responded that the move was politically motivated and warned that any disruption meant “setting the island back and further delaying projects aimed at improving the electric system, increasing the risk of outages, slowing restoration times, and delays to federally funded improvements.”¹⁷⁰

The Oversight Board, commenting on an earlier dispute between Puerto Rico and LUMA, stated that LUMA “must perform better, and the people of Puerto Rico, who retain ownership of the grid

¹⁶⁵ Order Concerning the PREPA Bondholders' Renewed Motion For Relief From the Litigation Stay, In re: PREPA, No. 17-04780, (D.P.R., May 26, 2026), Dkt. No. 6164, <https://document.epiq11.com/document/getdocumentbycode?docId=4579804&projectCode=PR1&source=DM>. Also see “Judge Keeps PREPA Court Freeze in Place, Says Key Accounting Fight Must Finish First,” *San Juan Daily Star*, May 21, 2026, <https://www.sanjuandailystar.com/post/judge-keeps-prepa-court-freeze-in-place-says-key-accounting-fight-must-finish-first>.

¹⁶⁶ Mediation Team's 23rd Notice and Report, In re: PREPA, No. 17-04780, (D.P.R., August 17, 2026), Dkt. No. 6258, pp. 3-4, <https://cases.ra.kroll.com/puertorico/Home-DownloadPDF?id1=MTIwNjY1MQ==&id2=-1>. Also see Notice of Appeal, In re: PREPA, No. 17-04780, (D.P.R., June 3, 2026), Dkt. 6175, <https://document.epiq11.com/document/getdocumentbycode?docId=4582134&projectCode=PR1&source=DM>.

¹⁶⁷ Act 1-2025, March 3, 2025, <https://sutra.oslpr.org/SutraFilesGen/153232/A-1-2025.pdf>. Also see CRS In Focus IF12913, *Electric Reliability and Resiliency in Puerto Rico*, by Corrie E. Clark. González Colón previously served in Congress as Puerto Rico's Resident Commissioner.

¹⁶⁸ Kim Riley, “Puerto Rico's Energy Grid: LUMA Continues Progress Amid Contract Threats,” *Daily Energy Insider*, February 24, 2025, <https://dailyenergyinsider.com/featured/47329-puerto-ricos-energy-grid-luma-continues-progress-amid-contract-threats/>. Also see LUMA, “Media Statement Regarding Attempt to Invalidate the Contract,” press release, <https://lumapr.com/news/media-statement-regarding-attempt-to-invalidate-the-contract/?lang=en>.

¹⁶⁹ Memorandum Order Granting Motions to Remand at 7-8, P3A v. LUMA Energy, LLC (In re PREPA), No. 17-4780, Adv. No. 25-00061 (D.P.R. May 8, 2026), Dkt. No. 49. Also see, The Governor of Puerto Rico and Commonwealth of Puerto Rico's Motion to Remand at 1-2, 6-8 [Governor's Motion to Remand], González v. LUMA Energy, LLC (In re PREPA), No. 17-4780, Adv. No. 25-00062 (D.P.R. Jan. 12, 2026), Dkt. 19. See as well Alexandra Acosta Vilanova, “‘I Promised I Would Deliver, and Here I Am’: Governor After Lawsuit Against LUMA,” *El Vocero / WJournal*, December 12, 2025, https://www.wjournalpr.com/top-stories/i-promised-i-would-deliver-and-here-i-am-governor-after-lawsuit-against-luma/article_cac1042e-a7b1-54b9-ac21-d848b98e5ad0.html.

¹⁷⁰ Kim Riley, “LUMA Pushes Back as Puerto Rico P3A Moves to Invalidate Grid Contract,” *Daily Energy Insider*, December 12, 2025, <https://dailyenergyinsider.com/featured/50557-luma-pushes-back-as-puerto-rico-p3a-moves-to-invalidate-grid-contract/>.

and power plants, have every right to hold private operators accountable.” The board reiterated its support for the privatization of PREPA’s grid and generating assets.

Puerto Rico argues that the 2022 extension was not validly authorized under provisions of the Puerto Rico Civil Code, including special laws enacted by the Puerto Rico legislature to govern public-private partnership contracts.¹⁷¹ LUMA disputes Puerto Rico’s legal and factual allegations.¹⁷²

LUMA removed the actions to the Title III court as adversary actions in the Title III case.¹⁷³ The Title III court ordered the parties to address first whether the court had jurisdiction over the actions and, if the court had jurisdiction, whether it should abstain from hearing the actions.¹⁷⁴ On May 8, 2026, the Title III court ordered the actions to be remanded to the Commonwealth Court of First Instance.¹⁷⁵ Reportedly, “[U.S. District Judge] Swain stressed the remand does not decide whether the contract is valid or whether LUMA’s performance warrants termination; those questions will be decided by Puerto Rico courts.”¹⁷⁶ LUMA and the FOMB appealed the remand question to the U.S. Court of Appeals for the First Circuit.¹⁷⁷ The First Circuit denied LUMA’s motion for a stay pending appeal, permitting the case to proceed in the Puerto Rico courts while the First Circuit considers the merits of the appeal.¹⁷⁸ On August 5, 2026, a divided Puerto Rico Supreme Court agreed to take up the case directly.¹⁷⁹

LUMA Initiates PREB Rate Review, New Base Rates Set in April 2026

On July 3, 2025, LUMA petitioned PREB for a rate review. Rates set by the first review process had been in place since January 2017.¹⁸⁰ Before that, rates had not been raised since 1989.¹⁸¹ In the 2017 rate order, the regulator noted that “years of underspending left the electric system’s

¹⁷¹ Governor’s Motion to Remand at 1–2, 4, 6, *LUMA (In re PREPA)*, No. 17-4780, Adv. No. 25-00062 (D.P.R. Jan. 12, 2026), Dkt. No. 19.

¹⁷² LUMA’s Opposition to Public-Private Partnerships Authority (P3A)’s Motion to Remand at 11–12, *P3A v. LUMA Energy, LLC (In re PREPA)*, No. 17-4780, Adv. No. 25-00061 (D.P.R. Feb. 2, 2026), Dkt. No. 30.

¹⁷³ Notice of Removal at 2, *P3A (In re PREPA)*, No. 17-4780, Adv. No. 25-00061 (D.P.R. Dec. 15, 2025), Dkt. No. 1; Notice of Removal at 1, *LUMA (In re PREPA)*, No. 17-4780, Adv. No. 25-00062 (D.P.R. Dec. 17, 2025), Dkt. No. 1.

¹⁷⁴ Order Concerning Joint Status Report, *P3A (In re PREPA)*, No. 17-4780, Adv. No. 25-00061 (D.P.R. Dec. 23, 2025), Dkt. No. 11.

¹⁷⁵ Memorandum Order Granting Motions to Remand, *P3A (In re PREPA)*, No. 17-4780, Adv. No. 25-00061 (D.P.R. May 8, 2026), Dkt. No. 49.

¹⁷⁶ “Oversight Board Says Private Management of PREPA is Required,” *San Juan Daily Star*, May 11, 2026, <https://www.sanjuandaily.com/post/oversight-board-says-private-management-of-prepa-is-required>.

¹⁷⁷ Notices of Appeal, *P3A (In re PREPA)*, No. 17-4780, Adv. No. 25-00061 (D.P.R. May 13, 2026), Dkt. Nos. 50, 67; Notices of Appeal, *LUMA (In re PREPA)*, No. 17-4780, Adv. No. 25-00062 (D.P.R. May 13, 2026), Dkt. Nos. 69, 85.

¹⁷⁸ Order of Court, *González-Colón v. LUMA Energy LLC*, No. 26-1561 (1st Cir. June 19, 2026).

¹⁷⁹ Translation filed by Appellants, *González-Colón v. LUMA Energy LLC*, No. 26-1561 (1st Cir. Aug. 28, 2026). Also see Eva Llorens, “Puerto Rico’s High Court Steps in to Resolve Dispute over LUMA’s Contract Extension,” *Caribbean Business*, August 5, 2026.

¹⁸⁰ PREB, *Resolution and Order*, case NEPR-AP-2023-0003, June 30, 2025, <https://energia.pr.gov/wp-content/uploads/sites/7/2023/06/20230630-AP20230003-Resolution-and-Order.pdf>.

¹⁸¹ Autoridad de Energía Eléctrica (AEE), “February 2025 Fiscal Plan for the Puerto Rico Electric Power Authority: As Certified by the Financial Oversight and Management Board for Puerto Rico,” February 6, 2025, p. 48, <https://drive.google.com/file/d/1WksRhtfmoLvaZFb-5pUNkFXGEit3t6vp/view> (hereinafter PREPA, “FY2025 Certified Fiscal Plan”).

physical infrastructure “unreliable and in disrepair, short of experienced staff, at risk of environmental fines, and ill-prepared to accept the [mandated] quantities of renewable energy.”¹⁸²

Genera, LUMA, and PREPA filed proposals with the PREB to raise rates to fund grid improvements, capital investments, and pension obligations.¹⁸³ In line with PREPA’s certified fiscal plan, however, those proposed revenues would not be used to pay PREPA’s legacy debts.¹⁸⁴

PREB issued a new rate order on April 15, 2026, noting several systemic challenges facing the island’s electrical system.¹⁸⁵ According to PREB, Puerto Rico lacks “sufficient, reliable generation capacity, leading to frequent blackouts; the distribution system faces numerous problems, including substations in disrepair; poor financial recordkeeping by PREPA hinders coordination with LUMA; and relations among PREPA, LUMA, and Genera are complicated by growing pains that remain unresolved.”

PREPA’s continuing PROMESA Title III case and the associated lack of access to capital markets implies capital funds must originate elsewhere. PREB notes

The general rule remains that long-lived assets ordinarily are financed, so that each generation of customers pays its fair share and only that share. PREPA’s lack of capital access creates pressure to depart from that norm; but it does not justify treating captive customers as the first source of capital whenever federal funding is slower, more burdensome, or not yet administratively lined up.¹⁸⁶

On those grounds, PREB rejected requests from LUMA and Genera for rate increases to fund capital investment where PREB judged that federal funds could be used.

Although PREB declined to grant LUMA and Genera the revenue requirements they sought, PREB found that an interim rate set during the rate review had been too low to cover system costs. Rates for the year starting on July 1, 2026, would increase to cover the deficit.¹⁸⁷

Attempted Dismissal of Oversight Board Members in August 2025

On Friday, August 1, 2025, President Trump had dismissal notices sent to five of the seven members of Puerto Rico’s Oversight Board: Arthur J. Gonzalez, Cameron McKenzie, Betty A. Rosa, Juan A. Sabater, and Luis A. Ubiñas.¹⁸⁸ On August 13, 2025, a week after member Andrew

¹⁸² PREB, *Final Resolution and Order on Electricity Rates*, case NEPR-AP-2023-0003, April 15, 2026, ch. 1, p. 3, <https://energia.pr.gov/wp-content/uploads/sites/7/2026/04/20260415-AP20230003-Final-Resolution-and-Order.pdf>.

¹⁸³ PREB, “Rate Review,” <https://energia.pr.gov/en/rate-review/>. Also see Manuel Guillama Capella, “Sobre la Mesa Aumento de 11 Centavos por Kilovatio Hora en la Propuesta Revisión de la Tarifa Base: Tanto LUMA Energy como Genera PR y la AEE Pidieron Incrementos Presupuestarios de Cientos de Millones de Dólares [“Increase of 11 Cents per Kilowatt Hour Are on the Table in a Proposed Revision to the Base Tariff: LUMA as Well as Genera, and PREPA Asked for Budgetary Increases of Hundreds of Millions of Dollars”], July 3, 2025, <https://www.elnuevodia.com/noticias/locales/notas/golpe-al-bolsillo-sobre-la-mesa-aumento-de-11-centavos-por-kilovatio-hora-en-la-propuesta-revision-de-la-tarifa-base/>.

¹⁸⁴ PREPA, *February 2025 Fiscal Plan for the PREPA*, February 2025, <https://drive.google.com/file/d/1WksRhtfmoLvaZFb-5pUNkFXGEiT3t6vp/view?usp=sharing>.

¹⁸⁵ PREB, *Final Resolution and Order on Electricity Rates*, case NEPR-AP-2023-0003, April 15, 2026, ch. 1, pp. 1-3, <https://energia.pr.gov/wp-content/uploads/sites/7/2026/04/20260415-AP20230003-Final-Resolution-and-Order.pdf>.

¹⁸⁶ PREB, *Final Resolution and Order on Electricity Rates*, case NEPR-AP-2023-0003, April 15, 2026, ch. 1, p. 11.

¹⁸⁷ Eva Llorens, “Puerto Ricans Should Expect a Rise in Utility Rates After July 1,” *Caribbean Business*, June 30, 2026, <https://caribbean.business/puerto-ricans-should-expect-a-rise-in-utility-rates-after-july-1/>.

¹⁸⁸ CRS Insight IN12598, *Attempted Dismissals of Members of Puerto Rico’s Financial Oversight and Management Board*, by D. Andrew Austin. PROMESA specifies procedures for appointing FOMB members. See CRS Report R44532, *The Puerto Rico Oversight, Management, and Economic Stability Act (PROMESA; H.R. 5278, S. 2328)*, coordinated by D. Andrew Austin.

G. Biggs described the dismissals as a “setback for Puerto Rico,” he received a notice of dismissal from the White House, according to an Oversight Board statement.¹⁸⁹ John E. Nixon received no dismissal notice.

In media reports, some complained that the board’s outlays on consultants and legal teams were high. Unnamed White House officials were quoted as endorsing criticisms of the board’s efforts to cut debts of the Puerto Rico Electric Power Authority (PREPA) through the PROMESA Title III process. White House officials were also quoted as claiming that the board “has been run inefficiently and ineffectively by its governing members for far too long and it’s time to restore common sense leadership.”¹⁹⁰

On August 26, 2025, a coalition of bondholders and bond insurers claiming to represent “nearly 90% of the Bondholders” argued that “Bondholders and the sole remaining Board member [Nixon] agree that the preferred path forward is to stay matters relating to the Bondholders’ claims until the new Board is constituted.”¹⁹¹

Oversight Board Members Granted Temporary Stay Against Dismissal

On September 18, 2025, Gonzalez, Rosa, and Biggs sued to challenge their dismissals, contending that “in violation of the statutory text, Judge Gonzalez, Dr. Biggs, and Dr. Rosa were purportedly terminated without cause, as the emails provided no basis, justification, or authority for the terminations.”¹⁹² McKenzie, Sabater, and Ubiñas did not contest the purported terminations.

On October 3, 2025, federal district court judge María Antongiorgi-Jordán granted a temporary restraining order, holding that the board members “have never been properly removed from office,” and barred officials from “effectuating in any manner the attempted removal of Plaintiffs from their positions.”¹⁹³ On December 3, 2025, defendants filed an appeal with the First Circuit Court of Appeals.

That appeal was stayed pending the Supreme Court’s consideration of a potentially related case and, after the Supreme Court ruled in that matter, remanded to the district court at defendants’ request.¹⁹⁴ On September 1, 2026, the district court converted the temporary restraining order into a permanent one.¹⁹⁵ The Trump Administration did not object to this action, but indicated that it understood the order as focused on the alleged lack of process provided in the removals and not precluding “any future removals of the Plaintiffs consistent with law.”¹⁹⁶

¹⁸⁹ José Delgado, “Andrew Biggs on FOMB Shakeup: ‘It Represents a Setback for Puerto Rico,’” *El Nuevo Día*, August 8, 2025, <https://www.elnuevodia.com/english/news/story/andrew-biggs-on-fomb-shakeup-it-represents-a-setback-for-puerto-rico/>.

¹⁹⁰ José Delgado, “Donald Trump Would Take Control of the Fiscal Oversight Board with his Upcoming Appointments,” *El Nuevo Día*, August 6, 2025, <https://www.elnuevodia.com/english/news/story/donald-trump-would-take-control-of-the-fiscal-oversight-board-with-his-upcoming-appointments/>.

¹⁹¹ Informative Motion of Goldentree et al., In re: PREPA, No. 17-BK-4780 (D.P.R. Aug. 26, 2025), Dkt. No. 5794, <https://document.epiq11.com/document/getdocumentbycode?docId=4505270&projectCode=PR1>.

¹⁹² Complaint, Gonzalez v. Gor, No. 25-CV-1508 (D.P.R. Sep. 18, 2025), Dkt. No. 1, <https://cdn.noticel.com/2025/09/18222609/Demanda-de-tres-exmiembros-de-la-JSF-contr-Trump-septiembre-2025.pdf>.

¹⁹³ Opinion and Order, Gonzalez v. Gor, No. 25-CV-1508 (D.P.R. Oct. 3, 2025), Dkt. No. 88, <https://assets.law360news.com/2396000/2396223/https-ecf-prd-uscourts-gov-doc1-159110024636.pdf>.

¹⁹⁴ Judgment, Gonzalez v. Gor, No. 25-2158 (1st Cir. Aug. 17, 2026).

¹⁹⁵ Order, Gonzalez v. Gor, No. 25-cv-1508 (D.P.R. Sep. 31, 2026), Dkt. No. 108.

¹⁹⁶ Response to Order to Show Cause, Gonzalez v. Gor, No. 25-cv-1508 (D.P.R. Aug. 31, 2026), Dkt. No. 106.

At present, the Oversight Board consists of members Biggs, Gonzalez, Nixon, and Rosa, plus Governor González Colón as a nonvoting ex-officio member. The Trump Administration, according to some observers, appeared to remain interested in finding new ways to remove board members.¹⁹⁷

Shifts in Bondholder Coalition

After the attempted dismissals in August 2025, BlackRock Financial Management, Nuveen Asset Management, and certain other investment funds ended their agreement to support the Oversight Board's Fifth Amended Plan of Adjustment.¹⁹⁸ They then joined with an existing coalition of bondholders who claimed to control or own 90% of PREPA's bonded debt.¹⁹⁹ BlackRock and Franklin Advisors, however, reduced their holdings of PREPA debt in October 2025.²⁰⁰

Developments in 2026

PREPA's debt restructuring process remains unresolved in 2026. Moreover, the island's electrical system remains strained, with shortfalls in available generation capacity and grid capacity to take on additions to solar power installations, which affect system reliability.²⁰¹

In the August 2026 status report to the Title III court, the mediation team stated that negotiations were at a standstill. They noted that the Oversight Board had proposed a new plan of adjustment, which attracted no support among bondholders.²⁰² In addition, they noted that vacancies on the Oversight Board created ongoing uncertainties regarding the resolution of PREPA debt restructuring. In particular, the mediators noted that the Oversight Board had not certified a FY2026 fiscal plan for PREPA and that the contract for the board's restructuring advisor had lapsed in September 2025 and a new advisor had not been engaged. The mediation team also chose to suspend its contract with its own financial advisory firm.

In May 2026, the Title III court set out guidelines and schedules regarding discovery related to determining what PREPA's net revenues have been.²⁰³ Oral arguments on the matter are scheduled for mid-November 2026.

¹⁹⁷ Robert Slavin, "Trump Still Looking to Remove Puerto Rico Oversight Board Members," *Bond Buyer*, September 1, 2026.

¹⁹⁸ Oversight Board, "PREPA Plan of Adjustment FAQ," <https://oversightboard.pr.gov/prepa-faq/>.

¹⁹⁹ Andrew Scurria, "Puerto Rico Utility Bondholders Break Off Deal After Oversight Board Purge," *Wall Street Journal*, August 26, 2025, <https://www.wsj.com/articles/puerto-rico-utility-bondholders-break-off-deal-after-oversight-board-purge-4c31906a>.

²⁰⁰ Michelle Kaske, "BlackRock, Franklin Advisors Slash Holdings of Puerto Rico Utility Debt," *Bloomberg*, October 9, 2025, <https://www.bloomberg.com/news/articles/2025-10-09/blackrock-franklin-slash-holdings-of-puerto-rico-utility-debt>.

²⁰¹ "Puerto Rico's Temporary Power Fix Is Gone, and Repairs Still Haven't Closed the Gap," *Caribbean Business*, August 20, 2026, <https://caribbean.business/puerto-ricos-temporary-power-fix-is-gone-and-repairs-still-havent-closed-the-gap/>. Also see Eva Llorens, "Utility-Scale Solar Has a Grid Wall Too, But No One Knows What It Is," *Caribbean Business*, September 1, 2026, <https://caribbean.business/utility-scale-solar-has-a-grid-wall-too-but-no-one-knows-what-it-is/>.

²⁰² Oversight Board, "Bondholder Group Rejects Offer to Resolve PREPA Bankruptcy," press release, July 14, 2026, https://drive.google.com/file/d/1x_JSXjP1GUU1_v6ilb9aL91NP4leQLYG/view.

²⁰³ Order Allowing in Part and Denying in Part PREPA Bondholders' Renewed Motion to Compel Discovery, In re: PREPA, No. 17-4780 (D.P.R. May 12, 2026), Dkt. No. 6150, <https://cases.ra.kroll.com/puertorico/Home-DownloadPDF?id1=MTIwMjQ1NQ==&id2=-1>.

As noted above, the bondholders' administrative expense claim is before the Court of Appeals for the First Circuit.

On September 23, 2026, the First Circuit affirmed a Title III court decision within the separate Commonwealth of Puerto Rico debt restructuring case. Bondholders had contended that actions of the commonwealth government, such as enacting the ALIVIO Act (Act 57-2014) that established the Puerto Rico Energy Commission, had impaired PREPA's ability to set rates sufficient to fund debt servicing costs. The Title III court had held that a bondholders' claim of \$8.5 billion against the Commonwealth of Puerto Rico fell within a subordinated category of claims.²⁰⁴ The commonwealth's plan of adjustment provided nothing for claimants within that category. The First Circuit also pointed to the law creating PREPA's predecessor (Act 83-1941), which specified that debts of the electric power authority were not to be considered debts of Puerto Rico's central government.

How Did PREPA Get to This Point?

PREPA's financial and operational difficulties accumulated over several decades. Some of those difficulties stem from inherent challenges of island electrical systems, from terrain and geography, and from Puerto Rico's wider economic challenges. Other factors, such as its business practices and governance, as well as interactions with the federal government, have also played a role. The following sections briefly discuss these issues.

PREPA's difficulties have left Puerto Rico with high electricity prices and frequent blackouts that hinder economic development and burden households.²⁰⁵ Prices for electricity in Puerto Rico—about \$0.244/kWh on average for March 2026 for residential customers—were about a third higher than the mainland average (\$0.186/kWh).²⁰⁶

The recent rate review order issued by PREB notes several risks that could lead to future rate increases, including possible outcomes of PREPA's Title III debt restructuring process. If that process results in compensation to bondholders, how such payments would be financed is unclear.

Dependence on Petroleum for Generation

High electricity prices have in part been attributed to a heavy reliance on oil in power generation, the poor condition of much of PREPA generation plants,²⁰⁷ and inherent difficulties in operating electric power systems on islands. As noted above, electric power systems on islands face technical challenges—such as the absence of fuel pipelines and connections to national grids—not faced by mainland systems. Many other island electric systems have depended heavily on oil and diesel for fuel, which has linked local electricity prices with fluctuations in global petroleum

²⁰⁴ Opinion, In re: FOMB/CPR, No. 25-1745 (1st Cir. Sept. 23, 2026). Also see Rick Archer, "1st Circ. Rejects Puerto Rico Bondholders' \$8.5B Claim," *Law360*, September 24, 2026, https://www.law360.com/articles/2529600?e_id=8158db71-87b5-487c-b9c7-9c7c8a522d02&.

²⁰⁵ GAO, "El Apagón—The Blackout. Puerto Rico's Continuing Struggle for Stable Electricity," July 8, 2026, <https://www.gao.gov/blog/el-apagon-blackout.-puerto-ricos-continuing-struggle-stable-electricity>. Also see Eliván Martínez Mercado, "Los Estragos del Apagón" ["The Toll of the Blackout"], *Center for Investigative Journalism*, 2025.

²⁰⁶ EIA, "Puerto Rico Territory Energy Profile," updated May 21, 2026, <http://www.eia.gov/state/print.cfm?sid=RQ>. Also see EIA, "Electric Power Annual," Table 12.4, https://www.eia.gov/electricity/annual/table.php?t=epa_12_04.html. For U.S. average, see Table 1.2. As noted above, the new PREB tariff will increase rates for the year starting July 2026 to cover the financial shortage incurred during the rate review process.

²⁰⁷ PREPA, "PREPA's Transformation a Path to Sustainability," June 1, 2015. Also see EIA, "Puerto Rico Territory Energy Profile," updated May 21, 2026.

prices. Many other island systems have struggled to keep power plants up to date and most have rates well above those charged by mainland systems.²⁰⁸

Petroleum and diesel remain Puerto Rico's main fuels for generating electricity, long after most mainland utilities have shifted to using natural gas and renewable energy sources. According to DOE, "[p]etroleum-fired power plants accounted for 62% of Puerto Rico's electricity generation capacity, followed by natural gas with 23%, coal with about 8%, and renewables with 6%. By comparison, less than 1% of the electricity generated in the 50 U.S. states is fueled by petroleum."²⁰⁹

Fluctuations in petroleum prices significantly affect electricity prices paid by consumers in Puerto Rico.²¹⁰ Rates for electricity typically comprise base rate and additional fees or surcharges. The fuel surcharge currently accounts for 37% of the residential electricity rate, about the same as the sum of the fixed and variable base rate. The base rates, as noted above, were set most recently in April 2026. Charges for fuel and purchased power are reviewed and adjusted quarterly to account for the actual cost of fuel and purchased power.²¹¹

Progress Toward Incorporating Renewable Power Sources Lags Behind Goals

Despite goals set by Act 57 of 2014 and subsequent energy policy laws, progress toward adding renewable sources of electric power has been considered slow by many island residents, PREB, independent energy experts, and some Members of Congress.²¹² Increasing renewable energy generation could be one way of reducing costs of electricity in Puerto Rico.

Act 17-2019 set renewable energy targets, including a goal of 100% of power from renewable sources by 2050 (with interim goals for 2025 and 2040) and ending the use of coal for power generation by 2028. The law also prioritized enabling consumers to generate their own electricity and send excess energy to other grid users (known as net metering). Act 1-2025 removed interim goals for renewable energy and extended the use of coal through 2032.

In 2025, 4% of the island's electric power came from wind and solar and another 2% from hydroelectric generation.²¹³ This does not account for electricity from generators with a nameplate capacity less than 1 MW (e.g., distributed rooftop solar systems). The pace of diversification of fuel sources has depended, among other factors, on PREPA's ability to borrow to finance major capital investments, which PREPA's financial condition and debt restructuring

²⁰⁸ In the Biden Administration, the U.S. DOE, Office of Energy Efficiency & Renewable Energy, gathered information on energy policies of 29 Caribbean systems and six Pacific island systems: "Island Energy Snapshots," downloaded March 2024, <https://web.archive.org/web/20240301183300/https://www.energy.gov/eere/island-energy-snapshots>.

²⁰⁹ EIA, "Puerto Rico Territory Energy Profile," updated May 21, 2026.

²¹⁰ PREB, *Final Resolution and Order on Electricity Rates*, case NEPR-AP-2023-0003, April 15, 2026, Appendix B-1. Also see LUMA, "Frequently Asked Questions (FAQ): Billing," <https://lumapr.com/faq/?lang=en>. That docket addressed the base rates. The fuel charge and other surcharges are assessed and adjusted quarterly on separate dockets.

²¹¹ PREB, In Re: Puerto Rico Electric Power Authority's Permanent Rate, case NEPR-MI-2020-0001, https://energia.pr.gov/numero_orden/nerp-mi-2020-0001/.

²¹² Dzieza, "When Will Puerto Rico Have Power." Also see "PREPA Sideline in Review Process for Green Energy RFPs," *San Juan Daily Star*, November 2, 2021, <https://www.sanjuandaily.com/post/prepa-sideline-in-review-process-for-green-energy-rfps>. See as well opening statements of the Chair and Resident Commissioner in U.S. Congress, House Committee on Natural Resources, *The Transformation of the Puerto Rico Electric Power Authority*, 116th Cong., 2nd sess., July 23, 2020, serial 116-39, pp. 2-5.

²¹³ EIA, "Electric Power Monthly," Table 8.5, June 25, 2026, https://www.eia.gov/electricity/monthly/current_month/june2026.pdf.

process have hindered.²¹⁴ The poor condition of PREPA's transmission lines and lack of generating capacity that can be switched on and off efficiently have also hindered Puerto Rico's progress toward using renewable energy sources. PREB has also warned PREPA against further delays in integrating renewable power sources.²¹⁵

Responses to 1973-1974 Energy Crisis Cushioned Customers but Reduced Investment

PREPA and Puerto Rican policymakers, as noted above, chose to subsidize energy use to cushion incomes for many households and municipality governments, which also reduced PREPA's ability to cover its capital costs.²¹⁶ The objective to keep rates low, at least in the short term, appeared to motivate that approach. Electric power rates, as elsewhere, remain a sensitive political issue in Puerto Rico.

Moreover, much of PREPA's borrowing did not translate into construction of modern facilities capable of delivering reliable electric power at efficient prices. Maintenance and repairs were often delayed, leaving PREPA assets in poor condition. For instance, an engineering report in August 2017—a month before Hurricane María—found serious and dangerous conditions in the Palo Seco power plant (**Figure 5**) east of San Juan.

Business Practices Have Reduced PREPA's Revenues

PREPA's revenues are reduced by unbilled power generation, with approximately 14% of power generated by PREPA classified as lost or unaccounted for in 2013.²¹⁷ PREPA had not been billing many municipalities and government offices, in part to offset payments in lieu of taxation, as well as some nonprofit organizations and businesses. PREPA has recently become more aggressive in collecting past due amounts. Some of PREPA's largest unpaid accounts, however, were accumulated by other public corporations that are also going through debt restructuring processes.

²¹⁴ Mesirow Financial Institutional Sales and Trading, "Credit Note Addendum—Puerto Rico Electric Power Authority," November 2013, https://web.archive.org/web/20140731112357/http://www.mesirowfinancial.com/instsalesandtrading/municipalcomments/pdfs/prepa_note_110113.pdf.

²¹⁵ In 2020, PREB stated that the "Energy Bureau WARNS PREPA that it must be highly cost-efficient with any preliminary permitting and engineering activity it undertakes, and that these activities SHALL NOT interfere with or delay the procurement of solar PV [photovoltaic] (or other renewable energy) and battery energy storage resources." Emphasis in original. In re: Review of PREPA IRP, Final Resolution and Order, case CEPR-AP-2018-0001, August 7, 2020, p. 4, <https://energia.pr.gov/wp-content/uploads/sites/7/2020/08/AP20180001-IRP-Final-Resolution-and-Order.pdf>.

²¹⁶ See NAS, *Energy in Puerto Rico's Future*, pp. 116-117.

²¹⁷ Mesirow Financial Institutional Sales and Trading, "Credit Note Addendum—Puerto Rico Electric Power Authority," November 2013, https://web.archive.org/web/20140731112357/http://www.mesirowfinancial.com/instsalesandtrading/municipalcomments/pdfs/prepa_note_110113.pdf.

Figure 5. Palo Seco Power Plant, San Juan, Puerto Rico

February 2018



Source: Author.

Notes: An August 2017 engineering report concluded that an inspection “confirm[ed] the need for the critical repair of work to ensure life safety and the safety of the boilers and balance of plant. Many of the defects observed were identified in the prior reports issued in 2012 and 2016. These have, in many cases, worsened. The severity of many of these defects is such that they are of critical importance and pose a current imminent threat to the safety of personnel using the areas, as well as posing a potential threat of damage to critical boiler equipment ... or even gross failure of the structures.” See Island Structures Engineering, *PREPA Palo Seco Steam Plant Units 1,2,3 & 4 Emergency Structural Steel Assessment Report*, August 25, 2017, at p. 15.

PREPA's fuel purchasing practices and procedures have raised serious concerns. A civil complaint alleged that PREPA's Fuel Office and private laboratories approved fuel deliveries that did not comply with contract terms and U.S. Environmental Protection Agency requirements.²¹⁸ According to that complaint, officials in PREPA's Fuel Office pressured laboratories to approve fuel shipments that failed to meet technical requirements, such as the grade of oil or the sulfur content. In 2016, a committee of the Puerto Rican Senate heard extensive testimony regarding alleged serious irregularities in PREPA's fuel purchases.²¹⁹

Governance Issues

Changes in political control of Puerto Rican offices have resulted in sharp changes of direction in energy policy, which has arguably hindered major energy projects. For instance, one pipeline project (Gasoducto del Sur) was cancelled in 2009 due to political and environmental opposition after the project was reportedly 25% completed.²²⁰ In October 2012, PREPA withdrew its Vía Verde pipeline proposal from U.S. Army Corp of Engineers review.²²¹ Costs for construction, engineering, and promotion of the Vía Verde project totaled \$30 million.²²²

In January 2016, then-Chief Restructuring Officer Lisa Donahue testified before Congress that

management and other strategic decisions, including staffing and capital investment, were too often based on political or electoral considerations rather than best practices or business imperatives. As a result of this dynamic, PREPA suffered from regular employee reassignments and had difficulty conducting rational long-term planning, which compounded existing challenges.²²³

PREPA, which had been an unregulated monopoly before 2014, has also had contentious relations with its regulators. As noted above, PREPA moved forward with plans for an LNG terminal near San Juan without obtaining PREB or Federal Energy Regulatory Commission permits. In 2022, PREB noted the PREPA's plans to expand conversions of generating plants to natural gas did not conform to the approved IRP and public procurement regulations.²²⁴

²¹⁸ Complaint, Ismael Marreto Rolón et al. v. PREPA et al., No. 3:15-cv-01167-JAG (D.P.R. February 24, 2015), <https://aldia.microjuris.com/wp-content/uploads/2016/02/demanda-aec-cartel-petrocc81leo.pdf>.

²¹⁹ Senate of Puerto Rico, "Preparado el Senado para Iniciar Vistas sobre Compra de Combustible en la AEE" ["Senate Prepared to Start Public Hearings on Fuel Purchases at PREPA"], press release, January 19, 2016, <https://web.archive.org/web/20170216074942/http://senado.pr.gov/Comunicados%20de%20Prensa%2020132016/Preparado%20el%20Senado%20para%20iniciar%20vistas%20sobre%20compra%20de%20combustible%20en%20la%20AEE.pdf>.

²²⁰ Alvarado León, "Ricardo Rosselló Renuncia Como Gobernador."

²²¹ U.S. Army Corps of Engineers, Jacksonville District, *JaxStrong*, p. 14, January 2013, http://www.saj.usace.army.mil/Portals/44/docs/JaxStrong/v5-1_JaxStrong_Jan2013updated_508.pdf.

²²² PREPA, letter from Acting Director of Legal Affairs Nérida Ayala Jiménez and Acting Finance Director Ernesto Ramos Morales, February 2, 2016, [https://web.archive.org/web/20170207064115/http://www.senado.pr.gov/Compra%20y%20Uso%20de%20Petrleo/9\(b\).%20Costos%20Proyecto%20Gasoducto%20del%20Norte%20\(V%C3%ADa%20Verde\).pdf](https://web.archive.org/web/20170207064115/http://www.senado.pr.gov/Compra%20y%20Uso%20de%20Petrleo/9(b).%20Costos%20Proyecto%20Gasoducto%20del%20Norte%20(V%C3%ADa%20Verde).pdf).

²²³ Testimony of Lisa Donahue, Chief Restructuring Officer of PREPA, in U.S. Congress, House Committee on Natural Resources, Subcommittee on Energy and Mineral Resources, *Exploring Energy Challenges and Opportunities Facing Puerto Rico*, 114th Cong., 2nd sess., January 12, 2016, http://naturalresources.house.gov/uploadedfiles/testimony_donahue.pdf (hereinafter Donahue, Testimony in *Exploring Energy Challenges and Opportunities Facing Puerto Rico*).

²²⁴ PREB noted that "PREPA's proposal to allow a private entity to immediately begin conversion of San Juan Units 7-10, without any form of public procurement process, is a blatant violation of numerous terms of the PREB August 2020 IRP Order, as well as the laws and regulations on public procurement.... The utility is asking for a blank check, perhaps (continued...)"

The April 2026 rate order issued by PREB noted contention among PREPA, LUMA, and Genera, as well as high turnover rates in those organizations' senior ranks, as factors complicating coordination. In addition, coordination with multiple federal agencies has been complicated.²²⁵

A hard budget constraint means that an organization covers its costs through its revenues or asset appreciation and that future plans are constrained by the need to align costs and revenues.²²⁶

An enterprise's budget constraint could be softened if it perceived some probability of receiving subsidies or other favorable treatment from elsewhere. In particular, if a loss-making enterprise—public or private—expected that it would not be allowed to fail because a higher-level government or some other organization would bail it out, the incentives facing managers of the enterprise would reflect that expectation.

For many years, Puerto Rico's Government Development Bank (GDB) helped cover shortfalls of public corporations such as PREPA.²²⁷ While that financial support helped PREPA avoid painful choices, it also weakened the Puerto Rican government's overall fiscal stability. Eventually GDB's finances became untenable and it was wound up in a PROMESA Title VI process in 2018.²²⁸

Jones Act Restrictions on Water Transportation

The Jones Act (P.L. 66-261) requires that goods shipped between American ports, which applies to shipping between Puerto Rico and the mainland, must use vessels that are U.S.-owned, U.S.-crewed and U.S.-built.²²⁹

Comments from Economists on Jones Act and Puerto Rico

A 2012 report from the Federal Reserve Bank of New York noted that high shipping costs may hinder Puerto Rico's economic development and suggested a temporary lifting of the Jones Act to

hoping for eventual reimbursement from the federal government." PREB, In re: Review of PREPA's 10-year infrastructure plan, Response to PREPA's Petition, case NEPR-MI-2021-0002, July 3, 2022, p. 3, <https://energia.pr.gov/wp-content/uploads/sites/7/2022/03/Response-to-PREPAS-Petition-for-Leave-to-Conduct-Works-in-PREPAS-Steam-Units-to-Archive-Environmental-Regulatory-Compliance-NEPR-MI-2021-0002.pdf>.

²²⁵ Kyle Siler-Evans et al., "Accelerating Puerto Rico's Disaster Recovery: A Synthesis of Findings and Recommendations," RAND Corporation, December 17, 2025, pp. 27-30, https://www.rand.org/pubs/research_reports/RR2959-14.html.

²²⁶ János Kornai et al., "Understanding the Soft Budget Constraint," *Journal of Economic Literature*, vol. 41, no. 4 (December 2003), pp. 1095-1136.

²²⁷ Arturo C. Porzecanski, "The Government Development Bank: At the Heart of Puerto Rico's Financial Crisis," American University working paper, September 18, 2014, <https://web.archive.org/web/20171205221457/http://fs2.american.edu/aporzeca/www/The%20GDB%20at%20the%20Heart%20of%20Puerto%20Ricos%20Financial%20Crisis.pdf>.

²²⁸ In re: GDB, No. 18-10561. Docket summary is at <https://dm.epiq11.com/case/gdb/info>.

²²⁹ See CRS Report R43653, *Shipping U.S. Crude Oil by Water: Vessel Flag Requirements and Safety Issues*, by John Frittelli. Also see "Maritime Cabotage Complicates Logistics and Adds Costs," in "Enabling Trade: Valuing Growth Opportunities," *World Economic Forum*, 2013, <http://reports.weforum.org/global-enabling-trade-2013/view/shipping-co>. For wider background and context of the Jones Act, see Thomas Grennes, "An Economic Analysis of the Jones Act" Mercatus Center, May 2, 2017, <https://www.mercatus.org/research/research-papers/economic-analysis-jones-act>. For a wider examination of cabotage policies in a global context, see United Nations Conference on Trade and Development (UNCTAD), *Rethinking Maritime Cabotage for Improved Connectivity*, Transport and Trade Facilitation Series, no. 9, Geneva, January 1, 2018, <https://unctad.org/publication/rethinking-maritime-cabotage-improved-connectivity>.

help determine effects of the restrictions.²³⁰ A 2013 GAO report that examined the effect of Jones Act restrictions more generally was unable to reach strong conclusions about their effect on shipping rates.²³¹ A 2015 report by a team headed by Anne Krueger, former first deputy managing director of the International Monetary Fund, argued that removing Jones Act restrictions would lower prices and bolster economic development.²³² In 2016, Lisa Donahue, then the chief restructuring officer for PREPA, testified that the Jones Act raised PREPA's costs "in the range of \$3 to \$5 million per year, due to the required use of Jones Act-compliant barges to distribute fuel oil between units."²³³

In 2018, the Puerto Rican government's economic and disaster recovery report to Congress stated that the

Jones Act may constrain Puerto Rico's ability to import a variety of goods and services at more-competitive prices (including, but not limited to, liquefied natural gas, food, and other commodities). Although data limitations obscure the exact magnitude of the effect, it is likely that the prices of imports in Puerto Rico, and of the goods and services produced from these imports, may be artificially inflated, which disadvantages both producers and consumers.²³⁴

In 2018, a Boston-based consulting group and a San Juan economic consulting group issued a report sponsored by the domestic maritime services industry that contended that the Jones Act imposes little or no cost to Puerto Rico.²³⁵ The report asserts that retail prices in Puerto Rico are roughly similar to those on the mainland, pointing to price comparisons of 13 specific products sold in Walmart stores in Jacksonville, FL, and in San Juan. The report also noted that transportation costs often amount to a small proportion of retail prices. Technical weaknesses in price indices issued by the Puerto Rican government make a more thoroughgoing comparison of prices in Puerto Rico with those on the mainland difficult.²³⁶ The lack of price differences for selected goods does not imply no losses in consumer welfare. For example, some products may be unavailable in Puerto Rico or are subject to transport cost surcharges.²³⁷ The report also criticized earlier quantitative estimates and argued that if foreign ships were allowed to transport

²³⁰ Federal Reserve Bank of New York, *Report on the Competitiveness of Puerto Rico's Economy*, June 29, 2012, <https://www.newyorkfed.org/medialibrary/media/regional/PuertoRico/report.pdf>.

²³¹ GAO, *Characteristics of the Island's Maritime Trade and Potential Effects of the Jones Act*, GAO 13-260, March 2013, <http://www.gao.gov/products/GAO-13-260>.

²³² Anne O. Krueger et al., "Puerto Rico—a Way Forward," July 13, 2015, <https://web.archive.org/web/20220816170455/https://bvvirtualogp.pr.gov/ogp/Bvirtual/reogGubernamental/PDF/Informes%20y%20Estudios/KR-2015-7.pdf>.

²³³ Donahue, Testimony in *Exploring Energy Challenges and Opportunities Facing Puerto Rico*, pp. 3-4, https://democrats-naturalresources.house.gov/download/testimony_lisa-donahue?download=1. Ms. Donahue also stated that those costs would have increased about tenfold if a planned LNG terminal had been built. Proposals to build the terminal were dropped due to rising construction cost estimates and PREPA's financial challenges.

²³⁴ COR3, *Transformation and Innovation in the Wake of Devastation: An Economic and Disaster Recovery Plan for Puerto Rico*, August 8, 2018, p. 18, <https://recovery.pr.gov/documents/pr-transformation-innovation-plan-congressional-submission-080818.pdf>.

²³⁵ Reeve & Associates and Estudios Técnicos, "Impact of the U.S. Jones Act on Puerto Rico," July 2018, https://www.americanmaritimepartnership.com/wp-content/uploads/2018/07/Report_Impact-of-the-Jones-Act-on-Puerto-Rico_FINAL2.pdf.

²³⁶ Arthur MacEwan and J. Tomas Hexner, "Establishing Reliable Economic Data for Puerto Rico," submission #1 to the Congressional Task Force on Economic Growth in Puerto Rico, fall 2016, <http://www.finance.senate.gov/download/arthur-macewan-and-j-tomas-hexner-1>.

²³⁷ PackagePR, "Does Walmart Ship to Puerto Rico? 2025 Guide to Secret Costs, Limitations, and How to Shop Smarter From the Island," blog post, February 5, 2025, <https://packagepr.com/blog/walmart-shipping-to-puerto-rico>. Also note that goods available via Walmart might not reflect a typical shopping basket of a Puerto Rican consumer.

goods between Puerto Rico and the mainland and were required to adhere to U.S. safety, labor, and environmental standards, cost differences might diminish or disappear.

In 2019, another San Juan-based economic consulting group issued a report sponsored by Puerto Rican business organizations that estimated shipping cost differentials and overall costs of the Jones Act on Puerto Rico.²³⁸ The report used responses to a survey of Puerto Rican importers along with other data sources. According to the report's estimates, freight shipping rates for Jones Act-qualified ships would be 151% higher than if international shippers could transport goods between Puerto Rico and the U.S. mainland. The report also estimated that Jones Act restrictions increased food costs by about \$367 million, or roughly \$300 per household per year.

More Recent Econometric Analyses

A 2020 econometric analysis estimated the effects of the Jones Act on domestic transportation, using, among other controls, the decline in the capacity of Jones Act-compliant ships over time. Construction costs for Jones Act-qualified ships, according to available data, are well above costs of vessels built in foreign shipyards.²³⁹ The number of new Jones Act-compliant ships is now well less than 1% of new ship construction around the globe.²⁴⁰

This analysis used data from Freight Analysis Framework Version 4 (FAF4), produced by the Bureau of Transportation Statistics, which measures shipments among states and the rest of the world.²⁴¹ Those data include the commodity category and the means of transport, destination, and origin, including to and from foreign locations within eight regions. The FAF4 data do not include specific information on shipments to or from Puerto Rico, and therefore the island could not be included in the analysis.²⁴² One specification that controls for state-specific characteristics, changes in the global supply of ships, commodity type, destination, and origin points estimated that a 10% decrease in the capacity of Jones Act ships is associated with a 2.7% decline in domestic water shipments, relative to imports, an effect concentrated among coastal states. Over the study period, other modes of transportation grew, while domestic water transportation declined. That implies that Jones Act restrictions induced shippers to choose other forms of transport, such as pipelines, interstate trucking, and railroads, or choose to import goods rather than buy goods domestically if domestic goods would be shipped by water.

²³⁸ Advantage Business Consulting, "Analysis of Issues Related to Maritime Transportation to Puerto Rico," February 2019, https://docs.wixstatic.com/ugd/5b4228_d72553c82b2c4ed7957a190a819efcfd.pdf.

²³⁹ See CRS Report R43653, *Shipping U.S. Crude Oil by Water: Vessel Flag Requirements and Safety Issues*, by John Frittelli, Table 3. A 2018 GAO report noted that MARAD officials stated that the cost differential related to employing Jones Act-compliant crews relative to foreign crews had increased by about 25% from 2010 to 2017. GAO, *Maritime Security: DOT Needs to Expediently Finalize the Required National Maritime Strategy for Sustaining U.S.-Flag Fleet*, GAO-18-478, August 2018, p. 24, <https://www.gao.gov/products/gao-18-478>. Also see CRS Report R45725, *Shipping Under the Jones Act: Legislative and Regulatory Background*, by John Frittelli.

²⁴⁰ CRS In Focus IF12534, *U.S. Commercial Shipbuilding in a Global Context*, by John Frittelli, Table 1. Data are taken from the BRS Shipbrokers 2023 Annual Report.

²⁴¹ William W. Olney, "Cabotage Sabotage? The Curious Case of the Jones Act," *Journal of International Economics*, vol. 127 (November 2020). Working paper version is here: <https://uhero.hawaii.edu/cabotage-sabotage-the-curious-case-of-the-jones-act/>. FAF4 data at five-year intervals from 1997-2016, along with state characteristics and the gross ton capacity of available Jones Act-eligible vessels are used in the estimation. The full estimation data set contains more than 1.2 million observations.

²⁴² For a discussion of data limitations in federal statistical data for Puerto Rico and other U.S. territories, see CRS Report R48522, *Federal Statistical Data for U.S. Territories: Issues and Resources*, by Taylor R. Knoedl and Ben Leubsdorf.

Economic theory would suggest that because goods cannot be sent to Puerto Rico via those alternative modes, the effects of the Jones Act could be more pronounced for Puerto Rico. In general, sensitivity to prices declines as the number of alternative options shrinks.²⁴³

A 2023 World Bank working paper uses port-of-call data from 2004 through 2020 for more than 16,000 vessels servicing the Caribbean, from which imports to Puerto Rican ports can be calculated, as well as data on barge traffic between Puerto Rico and the mainland.²⁴⁴ It ascribes the “near absence of bulk ships, tankers and general cargo vessels on U.S.-PR routes” to Jones Act effects and notes that containerized shipments are less affected. The paper estimates economic losses amount to about \$203 per person per year. The authors also contend that the Jones Act may have affected the economic structure of Puerto Rico by burdening industries that rely on inputs that are not easily containerized.

A 2023 working paper examined Jones Act effects on shipping petroleum products among different mainland coasts. Estimates suggest that removing Jones Act restrictions would reduce East Coast prices and slightly increase Gulf Coast prices. Estimated gains in consumer benefits (\$769 million per year) would outweigh producers’ losses (\$367 million per year).²⁴⁵

Jones Act Waivers and Workarounds

Congress and the President have issued various Jones Act waivers. Jones Act restrictions were waived for Puerto Rico for 10 days after Hurricane María.²⁴⁶ A waiver announced in March 2026 prompted by the war with Iran was extended through November 2026.²⁴⁷ More than 40 ships have carried oil, gasoline, and other petroleum products to Puerto Rico so far during the current waiver period.²⁴⁸

²⁴³ This is the inverse demand elasticity rule for setting markups of prices over unit costs. In the simplest case, a firm with some market power maximizes profits ($\pi \equiv (p - c) * D(p)$), where some price (p) exceeds unit cost (c) and $D(p)$ is a decreasing function of price. The condition $D(p) + (p - c) * D'(p) = 0$ characterizes the profit maximizing price and markup. The price elasticity of demand is $\varepsilon \equiv \frac{-D'(p)}{D(p)}$ where $D'(p)$ is the incremental change in demand resulting from a small price increase. The demand elasticity (ε) reflects the percentage decrease in the quantity demanded caused by a 1% increase in price. The profit maximizing condition can be restated as $(p - c) = 1/\varepsilon$, which states that the markup rises when sensitivity to price falls. Modified versions of the condition apply for more complex pricing situations.

²⁴⁴ Russell Hillberry and Manuel I. Jimenez, “Economic Consequences of Cabotage Restrictions: The Effect of the Jones Act on Puerto Rico,” World Bank Policy Research Working Paper 10780, May 2024, <https://documents1.worldbank.org/curated/en/099257005212415735/pdf/IDU15b5b7ebd10471140061b90610cb9b5695bc1.pdf>. The port of call data were bought from the Lloyds List Intelligence Unit. Barge data were from the National Ballast Information Clearinghouse. Import data were issued by the Instituto de Estadísticas de Puerto Rico. The data were used to compute a gravity trade model, in which potential trading opportunities are inversely proportional to distances and transport costs.

²⁴⁵ Ryan Kellogg and Richard L. Sweeney, “Impacts of the Jones Act on U.S. Petroleum Markets,” NBER working paper 31938, December 2023, <http://www.nber.org/papers/w31938>.

²⁴⁶ U.S. Department of Homeland Security, “Waiver of Compliance with Navigation Laws,” September 28, 2017, https://www.dhs.gov/sites/default/files/publications/17_0928_AS1_Jones-Act-Waiver.pdf.

²⁴⁷ “DHS Extends Jones Act Waiver Again and Adds Substantial Procedural Requirements,” Holland & Knight LLP, August 13, 2026, <https://www.hklaw.com/en/insights/publications/2026/08/dhs-extends-jones-act-waiver-again>.

²⁴⁸ U.S. Department of Transportation, Maritime Administration, *1530 MARAD 501c Waiver Report*, August 31, 2026, <https://www.maritime.dot.gov/ports/domestic-shipping/20260807-1530-marad-501c-waiver-report>.

Jones Act requirements also may have affected the pace of the turn toward natural gas.²⁴⁹ More recently, however, some workarounds have been found. The U.S. shipping firm Crowley bought a

²⁴⁹ CRS In Focus IF10878, *U.S. LNG Trade Rising, But No Domestic Shipping*, by Michael Ratner and John Frittelli. Also Donahue, Testimony in *Exploring Energy Challenges and Opportunities Facing Puerto Rico*.

French-built LNG tanker that qualified under a 1996 modification of the Jones Act (P.L. 104-324) that now shuttles between Puerto Rico and the mainland. NFE Energy, which built a LNG terminal facility in San Juan, has been liquifying U.S.-produced natural gas in Mexico and then shipping LNG to Puerto Rico since 2024.²⁵⁰

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²⁵⁰ Colin Grabow, "An Old Tanker and a Mexican Detour: How Puerto Rico Finally Started Buying American Natural Gas," Cato Institute, July 15, 2026, <https://www.cato.org/blog/old-tanker-mexican-detour-why-its-still-too-hard-puerto-rico-buy-american-natural-gas>. Also see EIA, "Puerto Rico Territory Energy Profile," May 21, 2026, <https://www.eia.gov/states/RQ/analysis>.