



COMMONWEALTH OF PUERTO RICO
PUERTO RICO FEDERAL AFFAIRS ADMINISTRATION

August 31, 2015

William C. Dudley
President
Federal Reserve Bank of New York
33 Liberty Street
New York, NY 10045

Dear Mr. President:

In past decade, the Commonwealth of Puerto Rico has faced an economic recession, high unemployment and declining population. The effect of those woes have meant decreased revenues. It also provoked a set back to our public utilities, three of them with an overall combined debt of \$20 billion.

Under similar circumstances, the fifty states may authorize their public utilities to restructure under Chapter 9 of the federal Bankruptcy Code. In contrast, our island's public utilities are excluded from restructuring their debts under Chapter 9. Ironically, until 1984, the Commonwealth of Puerto Rico was included in this law.

Our Administration tried to deal with this situation by enacting the Commonwealth Recovery Act of 2014, in order to create a restructuring mechanism to allow those entities to restructure their debts in an orderly manner. However, that statute was challenged in the Federal District Court by Puerto Rico's Power Authority bond holders. In February, 2015, that court invalidated the Recovery Act. Eventually, the First Circuit affirmed that judgment.

Also, our Administration is trying to seek support in Congress for two bills, one in the House (H.R. 870) and one in the Senate (S. 1174), proposing that some of the Island's entities be allowed to restructure their debts under Chapter 9. Until now, those efforts have been unsuccessful.

On August 26, in a press briefing, you spoke on various economic issues. Then, when asked regarding how the New York Federal Reserve can help the situation in Puerto Rico, you suggested that Congress should pass legislation on the issue.

For that reason, on behalf of the Government of the Commonwealth of Puerto Rico, I encourage you to send a letter to the House Judiciary Chairman, Bob Goodlatte, and Senate Judiciary Chairman, Chuck Grassley, seeking approval of the bills that would allow Puerto Rico's public utilities to orderly restructure their debts.

Respectfully,



Juan E. Hernández
Director

