

Prepa posts \$184 million loss in first half of fiscal year

Rating agency review, union negotiations add to pressure

BY JOHN MARINO
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The Puerto Rico Electric Power Authority (Prepa) lost \$184 million during the first half of this fiscal year, according to unaudited financial statements obtained by CARIBBEAN BUSINESS.

The loss totaled \$34 million during the month of December alone, while an increase in receivables from both the public and private sectors was also registered, according

to the December 2012 financial statements.

The public corporation, a government-owned power monopoly, is just one of several Puerto Rico government entities under pressure from Wall Street credit ratings agencies, which have also downgraded the credit of the commonwealth government to the lowest investment grade rating.

Earlier this month, Fitch Ratings placed its BBB+ rating on Prepa power revenue bonds on rating

watch negative. Fitch based its move on a review of Prepa's operating and unaudited financial highlights for fiscal year 2012 that ended June 30, and the continuing effects of the economic recession.

"Prepa's preliminary reporting suggests declining operating margins and cash flow, declining electricity usage, higher leverage, higher fuel costs, and growing account receivables for the fiscal year, all of which are a concern," Fitch said. "Based on the unaudited figures, it doesn't appear that the public util-

The utility's main union, the Electricity & Irrigation Workers Union (Uter by its Spanish acronym), walked off their jobs last October but returned to work after the general election and the victory of Gov. Alejandro García Padilla. However, with no agreement in hand, Uter could walk off again. The talks have dragged on for more than a year. While 40 of 50 articles have been negotiated, economic clauses remain to be worked out.

Prepa's problems and the high cost of power have prompted calls for a



Despite being a self-regulating monopoly, Prepa continues to post heavy operating losses, according to financial statements.

ity's cash flow from operations was sufficient to cover operating and debt service costs in fiscal 2012."

Many of these worrisome trends spilled over into the current fiscal year, according to the Prepa documents. Fitch said it would decide whether a downgrade is warranted following meetings with Prepa's new management and a review of its updated business strategy.

Prepa Executive Director Juan Alicea Flores has made maintenance of the power system a top priority, laying blame for last month's huge power outage in San Juan on a lack of preventive maintenance.

He also has to deal with contract negotiations with Prepa employees.

complete restructuring of the public corporation. Recently, the Center for the New Economy (CNE) proposed creating an independent regulatory board to oversee the public utility, which is currently a "self-regulating monopoly."

The CNE proposal, aimed at making Prepa respond to the public interest rather than its own bottom line, includes billing consumers for the electricity they actually use rather than using estimates.

The public corporation is in the middle of a drive to convert all its powerplants to natural gas from imported oil, while diversifying into new energy sources such as wind, solar and waste-to-energy. ■

Government to make its data available for application development

Executive order gives 90-day period for agencies to submit API plan; initiative would enable better communication between agencies, spur economic growth

BY DENNIS COSTA
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Government agencies in Puerto Rico are set to open up their databases for outside programmers and companies to develop applications aimed at improving services and inter-agency communication, Puerto Rico Chief Information Officer (CIO) Giancarlo González told CARIBBEAN BUSINESS in an exclusive interview.

Gov. Alejandro García Padilla recently signed an executive order establishing a 90-day period during which all government agencies must submit a plan toward this end. The initiative promises to boost the programming and application-development sector on the island.

Specifically, the order requires agencies to submit a plan on APIs (application programming interfaces), essentially a protocol that establishes the way different computer programs communicate with each other. A good example of an API is the GPS (global positioning system) technology featured on many applications such as Google Maps, González explained. "The U.S. Armed Forces were the only ones using GPS, but at a certain point, those databases were opened up, and it gave birth to a whole new industry."

The CIO is confident a similar dynamic may occur regarding local government data. "Our databases represent a huge asset that could lead to economic growth if it is used right. The order basically enables companies or programmers to tap into those databases and develop applications, providing features only they could imagine and nobody else could," he explained.

The order also represents a shift in public policy with regard to the government's use of data. "The vision is that government should focus on securely capturing data, storing it, establishing the



Puerto Rico Chief Information Officer
Giancarlo González

workflows necessary to operate, and providing tools for the rest of the people to access this data and re-imagine how it could be used online," González said.

The initiative also intends for upcoming government applications to deliver services at a step beyond current web-based interfaces by employing Representational State Transfer or RESTful APIs. This type of API is considered more advanced than another type of API used in most

web-based government services, called SOAP (simple object access protocol).

The executive order is similar to a memorandum sent by President Barack Obama to all federal agencies in May 2012. Various API guidelines also exist at the federal level that dictate how agencies can best communicate with each other. These include the National Information Exchange Management (NIEM), which also regulates data interoperability between agencies.

One of González's main goals is to effectively enforce such standards in local government agencies. Achieving this level of compliance, combined with the implementation of RESTful API applications for mobile and desktop computers, aims to greatly improve government efficiency, not only in terms of economic development, but also in the areas of health and public safety.

With regard to the latter aspect, González gave a timely example. "We have various agencies related to public safety, each with its own database: Police, Corrections, 9-1-1 and so forth. These agencies need to communicate all the time, and they usually do so through the SIJC [Criminal Justice Information System by its Spanish initials], which runs as a SOAP-based web service. If someone buys a handgun and a background check is needed, the SIJC helps check because it connects with many different databases.

"However, there is currently no mandate for suppliers of database systems to comply with NIEM and API standards. This means that if a supplier modifies its database program, its web service will no longer work, and we have connectivity issues. That is why we need to enforce standards across the board, and throughout different sectors," he concluded. ■

CARIBBEAN BUSINESS Senior Reporter John Marino contributed to this article

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