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Private Firm Takes Over Puerto Rico Power Authority as Government, Control Board Seek Solutions to Save Struggling Utility

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Safety cones blocking an exit at the Puerto Rico Electric Power Authority are moved by a driver in Palo Seco, Toa Baja, Puerto Rico, on Oct. 19, 2017. By. XAVIER GARCIA/BLOOMBERG

The Puerto Rico Electric Power Authority, which has struggled with corruption, blackouts and financial woes, on Tuesday was taken over by a private firm which will manage the authority's transmission and distribution operations.

The move comes as the Atlantic Hurricane Season begins, with the takeover by Luma Energy set to last for at least 15 years under an agreement ratified by the Puerto Rico government and a

federal control board.

According to the Associated Press, Wayne Stensby, CEO of Luma, a group made up of Calgary, Alberta-based Atco and Quanta Services Inc. of Houston, said of the authority, "It is extraordinarily fragile and in very poor condition."

Even so, he told the AP that the company has enough resources to manage a Category 2 hurricane, and the ability to bring in more help if needed. Puerto Rico's power authority serves 1.5 million customers.

As part of the agreement, Luma will spend billions of dollars mostly in federal funds to upgrade the utility's electric system. Luma will also receive hundreds of millions of dollars to manage the system, said the AP.

Puerto Rico officials believe the private firm could do a better job not only in managing the authority — badly damaged by Hurricane Maria in 2017 — but also rebuilding it in a timely and efficient manner. The authority also has \$9 billion in debt — more than any other arm in the commonwealth's government.

According to the AP, analysts have said the privatization of the authority will not be able to stop a rate increase to meet bondholder financial obligations.

Gov. Pedro Pierluisi said the company has pledged to reduce power interruptions by 30 percent, the length of outages by 40 percent and cut workplace accidents by 50 percent, according to the AP.

"We've had a bankrupt ... (and) incompetent public utility for too long," he said. "The transformation that is underway will make a difference."