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## Puerto Rico Aqueduct & Sewer Authority Commonwealth-Backed Debt Rating Lowered To 'BB+'; Remains On Watch Neg

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DALLAS (Standard & Poor's) Feb. 4, 2014--Standard & Poor's Ratings Services said today it lowered by one notch, to 'BB+', the rating on Puerto Rico Aqueduct & Sewer Authority's (PRASA) revenue bonds guaranteed by the Commonwealth of Puerto Rico. The rating remains on CreditWatch, where it was placed with negative implications on Jan. 24, 2014. The downgrade and CreditWatch status reflect our similar action today on the commonwealth's general obligation (GO) debt rating (see the media release, "Puerto Rico GO Rating Lowered To 'BB+'; Remains On Watch Negative").

In addition, we have placed the 'BB+' rating on PRASA's senior-lien (gross pledge) revenue bonds on CreditWatch with negative implications. Although the rating is not immediately affected by today's downgrade, the CreditWatch action on those bonds reflects the relationship between PRASA and the commonwealth. PRASA's stand-alone credit profile remains 'bb+', which reflects our view of the authority's general creditworthiness solely on its own fundamentals.

"The CreditWatch action on the senior-lien revenue bonds is based our opinion that PRASA is a governmental-related entity of the commonwealth. Should the GO rating be lowered again, we would also downgrade the commonwealth-supported PRASA bonds as well as PRASA's senior-lien revenue bonds," said Standard & Poor's credit analyst Ted Chapman. "The Government Development Bank (GDB) continues to be the key tool for financing the commonwealth's structural budgetary gap, which also then affects PRASA debt supported by the

commonwealth. The GDB is also PRASA's main source of interim capital improvement funding by way of several different revolving credit agreements and committed lines of credit," said Mr. Chapman.

PRASA's commonwealth-backed debt is about \$1.1 billion (including State Revolving Fund and U.S. Dept. of Agriculture borrowings) out of the authority's roughly \$4.6 billion in total debt. For more information, please refer to table 6 of our criteria, "General Criteria: Rating Government-Related Entities: Methodology And Assumptions", published Dec. 9, 2010.

#### RELATED CRITERIA AND RESEARCH

##### Related Criteria

- USPF Criteria: Standard & Poor's Revises Criteria For Rating Water, Sewer, And Drainage Utility Revenue Bonds, Sept. 15, 2008
- General Criteria: Rating Government-Related Entities: Methodology And Assumptions, Dec. 9, 2010
- General Criteria: Stand-Alone Credit Profiles: One Component Of A Rating, Oct. 1, 2010

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