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## Puerto Rico Aqueduct & Sewer Authority Debt Rating Lowered Two Notches To 'CCC+'; On Watch Neg

**Primary Credit Analyst:**

Theodore A Chapman, Dallas (1) 214-871-1401; theodore.chapman@standardandpoors.com

**Secondary Contact:**

Jeffrey M Panger, New York (1) 212-438-2076; jeff.panger@standardandpoors.com

DALLAS (Standard & Poor's) April 27, 2015--Standard & Poor's Ratings Services lowered its rating on all Puerto Rico Aqueduct & Sewer Authority (PRASA) debt two notches to 'CCC+' from 'B'. At the same time, we placed the ratings on CreditWatch with negative implications.

The downgrade reflects a similar action Standard & Poor's took on the commonwealth's general obligation (GO) and related ratings on April 24, 2015 (see the article, "Puerto Rico Downgraded To 'CCC+' From 'B' On Weakened Market Access; Placed On CreditWatch Negative", on RatingsDirect). The actions were based on our view that the commonwealth's market access prospects have further weakened and its ability to meet its financial commitments is increasingly tied to favorable business, financial, and economic conditions. Absent economic improvement, GO debt and other financial commitments will be unsustainable.

"The CreditWatch action reflects the current lack of consensus on key elements of the fiscal 2016 budget, which could exacerbate liquidity and fiscal pressure," said Standard & Poor's credit analyst Theodore Chapman. We expect to resolve the CreditWatch within three months when there is greater clarity on the budget and overall liquidity. We believe enactment of a credible balanced budget by the start of the new fiscal year (July 1, 2015) could be an important element in regaining external market access. Should passage of a fiscal 2016 budget become significantly delayed, or if the budget is enacted with significant structural flaws, we could lower the rating to 'CCC' or

lower. Alternatively, if timely budget adoption translated to stabilized liquidity, we could remove the rating from CreditWatch.

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
- Criteria: Stand-Alone Credit Profiles: One Component Of A Rating, Oct. 1, 2010
- Criteria For Assigning 'CCC+', 'CCC', 'CCC-', And 'CC' Ratings, Oct. 1, 2012

Complete ratings information is available to subscribers of RatingsDirect at [www.globalcreditportal.com](http://www.globalcreditportal.com) and at [www.spcapitaliq.com](http://www.spcapitaliq.com). All ratings affected by this rating action can be found on Standard & Poor's public Web site at [www.standardandpoors.com](http://www.standardandpoors.com). Use the Ratings search box located in the left column.

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