PRESS RELEASE

Para publicación / Difusión inmediata

Contacto : María S. Rosario

Tel: (787) 728-9200 / (787) 722-2525 exts. 2013 y 2014
Cel. (939) 644-4606 / www .gdb-pur.com

GOVERNMENT DEVELOPMENT BANK FOR PUERTO RICO
COMMONWEALTH OF PUERTO RICO

August 11, 2004

PREPA SAVES $21 MILLION THROUGH $225 MILLION REFINANCING

The Puerto Rico Electric Power Authority (PREPA) yesterday placed $224.8 million in bonds in the U.S. tax-exempt market to refinance a portion of its debt and attain $21 million in savings, announced Government Development Bank for Puerto Rico President, Antonio Faría.

The savings generated through this issue, together with the $54 million saved by PREPA through bond issues sold since 2001, make up a total of $75 million in savings, said Héctor R. Rosario, PREPA's Executive Director. "This new issue generated combined savings of 8.9%, a rate that significantly exceeds the usual 5% savings goal," stressed the PREPA director.

"These savings will help speed up the five-year program, which seeks to improve, rehabilitate, and extend the useful lives of installations used in the generation, transmission, and distribution of power in the Island," Rosario explained. "This, in turn, will allow PREPA to serve the increasing demand in electric energy consumption, diversify the power sources used by the generating plants to reduce oil dependency and continue to improve dependability within our electric power system," stressed PREPA's director.

Specifically, the bonds captured yields ranging from 1.48% for the shortest maturity, 2005, and 4.53% for the longests maturity, 2025, said Hugo Díaz-Molini, Executive Vice President and Treasury of GDB. "This helped us obtain a total interest cost or all-in-TIC of 4.36% for this issue, which marks a great achievement in a market that now offers higher interest rates than those we have enjoyed in the last few years," Díaz-Molini added.

"PREPA received A- and A3 ratings for this issue from Standard & Poor's and Moody's Investor Services, respectively," said Carlos M. Piñeiro, GDB's

Executive Vice President for Financing. "In confirming their PREPA ratings, S&P and Moody's mentioned PREPA's capital improvements, both completed and in progress, its strong entrepreneur profile, and the significant progress achieved in the last few years with respect to the rehabilitation of existing facilities and the diversification of power sources," Piñeiro added.

Of the bonds issued, $124.5 million were insured by FGIC and $85.6 million by CIFG, thus raising the ratings to Aaa in the case of Moody's and AAA in S&P's case ," explained Piñeiro.

The bond issue was managed by JPMorgan with RG Investment Corporation, and had Morgan Stanley with Popular Securities, and Merrill Lynch & Co. with BBVA Capital Markets as senior comanagers.

###