

- TRANSLATION BY GDB -

PRESS RELEASE

September 11, 2006



PRASA REFINANCES \$250 MILLION AS ANOTHER STEP TOWARD FINANCIAL SELF-SUFFICIENCY

San Juan-The Puerto Rico Aqueduct and Sewer Authority (PRASA), as part of its plan to achieve financial self-sufficiency, has refinanced \$250 million of its debt with the Government Development Bank for Puerto Rico (GDB) through financing provided by a syndicate of local banks, it was announced today by PRASA Executive President Jorge A. Rodríguez and GDB Chairman Alfredo Salazar.

The syndicate of banks and their portion of the financing were Banco Popular de Puerto Rico (\$52.5 million), which headed the syndicate, Banco Bilbao Vizcaya (\$50 million), First Bank de Puerto Rico (\$50 million), Scotiabank (\$37.5 million), Banco Santander (\$35 million), and RG Premier Bank (\$25 million).

“This is the first step towards restructuring all of PRASA’s debt, and is part of management’s plan to seek a rating for its bonds that will allow the agency to place nearly \$930 million in debt in the U.S. tax-exempt market before the end of the year,” said Mr. Rodríguez. PRASA has not sold debt in the market since 1988.

“The approval of this bank loan is evidence that the private sector recognizes measures taken by PRASA’s management during the last two years to meet its financial obligations with its own resources,” he added. “This is an unprecedented achievement for PRASA; for more than 20 years PRASA expenditures had increased while income remained low.”

Looking ahead, Mr. Rodríguez noted that PRASA expects to cover all operational expenses, as well as financing costs, with its own resources. Since June 30, 2006, the allocation PRASA received from the Commonwealth’s General Fund (\$48 million in subsidies, \$150 million for debt service, and \$200 million to cover its annual operational deficit) have been eliminated. “PRASA is now generating its own funds to cover all operational expenses and its long term debt,” said Mr. Rodríguez. “This transformation is making PRASA financially self-sufficient.”

With the advice of GDB, PRASA structured a financing plan that provided the Authority with the funds necessary to cover all operational and capital investment needs during this first stage of its transition to full financial independence. This program is based on the

payment capacity and cash flow resulting from recent rate increments for potable water and sewer services.

PRASA is currently developing an aggressive infrastructure improvement plan for all facilities that it operates to produce drinking water and provide sanitary treatment. The program is part of the agency's Capital Improvements Plan, which will require the investment of approximately \$2.4 billion over the next five years.

Contact: Enid Rodríguez-Rodríguez
 Assistant Director, Press and Public Relations
 PRASA
 787-620-3795
 787-599-8351