



Financial Oversight and Management Board for Puerto Rico

PRESS RELEASE

For Immediate Release

OVERSIGHT BOARD CERTIFIES FISCAL PLANS OF FOUR COVERED TERRITORIAL INSTRUMENTALITIES

Adopts proposed plans of Government Development Bank, Puerto Rico Highways and Transportation Authority, Puerto Rico Aqueducts and Sewers Authority and Puerto Rico Electric Power Authority, with amendments

(New York, NY – April 28, 2017) – The Financial Oversight and Management Board for Puerto Rico (the “Oversight Board”) created under the bipartisan Puerto Rico Oversight, Management and Economic Stability Act (“PROMESA” or the “Act”) today approved and certified the fiscal plans, with their respective amendments, of four covered territorial instrumentalities in compliance with PROMESA, during its seventh open meeting, held at the Alexander Hamilton U.S. Customs House Building in New York, live-streamed via webcast in both English and Spanish.

The Oversight Board unanimously adopted a resolution approving the fiscal plans of the Government Development Bank (GDB), the Puerto Rico Highways and Transportation Authority (PRHTA), the Puerto Rico Aqueduct and Sewer Authority (PRASA) and the Puerto Rico Electric Power Authority, with amendments discussed by the Oversight Board at the meeting. In the resolution, the Board summarized the process leading to its decision, and then noted its determination, pursuant to PROMESA § 201 (e) to certify these proposed fiscal plans, with some modifications.

With its fiscal plan, GDB prepares a gradual and orderly disbursement that mitigates the impact to its stakeholders and supports their ability to continue delivering essential services and promote economic growth. Separately from the fiscal plan, the Board noted that Puerto Rico’s Fiscal Agency and Financial Advisory Authority (FAFAA) should provide a certification regarding the anticipated impact that reduced GDB distributions to depositors and other potential exposures might have on other government entities with fiscal plans and/or budgets.

The Oversight Board amended the PRHTA’s fiscal plan to ensure that it demonstrates the sustainability of each of its assets—i.e., its highway and transit systems—before and after the

implementation of fiscal measures. Specifically, the Board requested that the financials and measures of the highway and transit systems be represented separately within the plan. Furthermore, the Board suggested more aggressive revenue enhancement measures to address projected operating costs. Additional amendments to the plan called for analyzing the cost-benefit of different options for corporatization, the proposed separation of the Tren Urbano from PRHTA, the impact of toll credit monetization to increase highway revenues, and improving the corporation's board selection process to ensure it is apolitical. The PRHTA plan, it was noted, aspires to deliver transportation services efficiently and support infrastructure development critical for economic growth.

The Oversight Board requested that PRASA's plan include the adoption and implementation of a moderate but broad-based, multi-year rate increase schedule, with appropriate measures to protect lower-income residential customers, to cover the corporation's operating and capital expenditures while avoiding sporadic, large, and onerous one-time rate hikes which tend to have a larger impact on consumers. The Board called for the plan to detail the impact of such a rate increase on all customers, to describe a process for rate review lead by PRASA's board, and to confirm that the proposed schedule enables PRASA to achieve structural balance when combined with the other measures identified in the Authority's amended and certified plan. Other PRASA-related amendments included mandates to further optimize the authority's operating structure and to adopt measures to control non-payroll expenses to promote long-term cost controls, such as a proposed collaboration in hydroelectric generation that will be developed in conjunction with PREPA. It was noted that the objective of PRASA's fiscal plan is to support the utility's mission to provide safe and affordable water and wastewater services under a cost-efficient model.

With respect to PREPA, the Oversight Board requested that its plan be amended to ensure delivery of affordable and reliable power to ratepayers by achieving lower costs of generation and capturing other efficiency gains. The Board directed PREPA to develop these savings through an expeditious capital improvement program that rapidly transitions the generation mix to low cost power sources, and other initiatives including an increase in operational efficiency and detailed governance and implementation proposals to be further developed. With its Fiscal Plan, PREPA aims to deliver lower cost, reliable power that can support economic growth on the Island.

"My fellow Board members, executive team and advisors have devoted considerable time and effort in reviewing these proposed fiscal plans. We welcome the significant progress these entities have made. The amended fiscal plans that we are certifying today meet the requirements of PROMESA: they are based on real savings and revenue projections, instead of hopes and predictions that some proposed changes will lead to income generation and progress sometime in the future," said José B. Carrión, Chairman of the Oversight Board.

Presentation of the individual plans by representatives of the four covered instrumentalities was followed by a period of public comment. The Board's Executive Director, Natalie Jaresko, proposed the resolution to approve and certify the latest proposed fiscal plans of the covered instrumentalities, as modified by their respective amendments, and issue a certification for each to the Governor and the Legislature pursuant to PROMESA.

“The plans certified today provide the right balance of financial measures and structural reforms that will give certainty and vision to the future of these entities. By taking the hard steps necessary to right the path of Puerto Rico’s government and its instrumentalities, we set forth towards fiscal health, restoring the Island’s economy, and ensuring basic services to the Puerto Rican people. Progress is being achieved for Puerto Rico. The Oversight Board and the Government will continue working hand in hand to maintain this high level of cooperation and meet all the milestones ahead, which include the upcoming certification of the budget and immediate implementation of the Fiscal Plan. There’s no other option. We must keep at it without respite to restore economic growth and opportunity for the people of Puerto Rico as soon as possible,” said Natalie Jaresko, Executive Director for the Oversight Board.

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