

RESOLUTIONS ADOPTED AT THE SEVENTH PUBLIC MEETING OF THE FINANCIAL OVERSIGHT AND MANAGEMENT BOARD FOR PUERTO RICO HELD ON APRIL 28, 2107 IN NEW YORK, NEW YORK

RESOLUTION #1

Between the adjournment of this meeting and the opening of the Board's next public meeting, the Board may consider in executive session any and all matters that it is authorized to consider under PROMESA, including (1) any certification determinations authorized by PROMESA, including certification determinations under Section 206 of PROMESA, and (2) any filings authorized under Title III of PROMESA, in each case that are set forth as part of the vote to convene such executive session. The Board may also act by unanimous written consent between meetings in accordance with the Bylaws, with such consent to include consent by email.

RESOLUTION #2

WHEREAS, on June 30, 2016, the federal Puerto Rico Oversight, Management, and Economic Stability Act ("PROMESA") was enacted; and

WHEREAS section 101 of PROMESA created the Financial Oversight and Management Board for Puerto Rico ("the Board"); and

WHEREAS section 201 of PROMESA establishes a multi-step procedure for the development, review, and approval of fiscal plans for covered territorial instrumentalities, requiring that (i) the proposed fiscal plans be submitted to the Board; (ii) the Board must review the proposed plans and determine either that it satisfies PROMESA's requirements or that it does not, in which case, the Board must issue a notice of violation and recommended revisions giving an opportunity to correct the violations; (iii) revised proposed plans be then submitted to the Board; and (iv) if there is a failure to submit timely a proposed plan the Board determines in its sole discretion satisfies PROMESA's requirements, the Board shall develop and submit to the Governor and the Legislature its own compliant fiscal plan; and

WHEREAS, on March 13, 2017, the Board announced that it had received a proposed fiscal plan for Government Development Bank for Puerto Rico (GDB); and

WHEREAS, after reviewing the proposed plan with the Governor's representatives and analyzing and deliberating over it with the Board's members, economist, consultants, and attorneys, the Board recommended revisions to the same and gave the Governor's representatives the opportunity to revise the proposed fiscal plan; and

WHEREAS representatives of the Governor and the Board's experts, consultants, and attorneys engaged in extensive discussions about the proposed fiscal plan and the Board's concerns about the plan, resulting in further changes incorporated into the proposed plan; and

WHEREAS, on April 28, 2017, the Board held an open meeting at which the Governor’s representatives presented the final proposed fiscal plan to the Board and the public; and

WHEREAS the Board has had the opportunity to consider the latest proposed plan and discuss it with its experts, consultants, and attorneys, and believes that the plan complies with PROMESA; and

WHEREAS the Board provided an opportunity for public comment on the proposed fiscal plan; and

WHEREAS, after substantial deliberations, the Board has determined to approve and certify the latest proposed fiscal plan; and

NOW, THEREFORE, IT IS HEREBY RESOLVED THAT the Board approves and certifies the latest proposed fiscal plan for GDB pursuant to PROMESA § 201(e); and it is

FURTHER RESOLVED that the Board shall issue a compliance certification for such fiscal plan to the Governor and the Legislature pursuant to PROMESA § 201(e).

RESOLUTION #3

WHEREAS, on June 30, 2016, the federal Puerto Rico Oversight, Management, and Economic Stability Act (“PROMESA”) was enacted; and

WHEREAS section 101 of PROMESA created the Financial Oversight and Management Board for Puerto Rico (“the Board”); and

WHEREAS section 201 of PROMESA establishes a multi-step procedure for the development, review, and approval of fiscal plans for covered territorial instrumentalities, requiring that (i) the proposed fiscal plans be submitted to the Board; (ii) the Board must review the proposed plans and determine either that it satisfies PROMESA’s requirements or that it does not, in which case, the Board must issue a notice of violation and recommended revisions giving an opportunity to correct the violations; (iii) revised proposed plans be then submitted to the Board; and (iv) if there is a failure to submit timely a proposed plan the Board determines in its sole discretion satisfies PROMESA’s requirements, the Board shall develop and submit to the Governor and the Legislature its own compliant fiscal plan; and

WHEREAS, on March 13, 2017, the Board announced that it had received a proposed fiscal plan for Puerto Rico Highways and Transportation Authority (HTA); and

WHEREAS, after reviewing the proposed plan with the Governor’s representatives and analyzing and deliberating over it with the Board’s members, economist, consultants, and attorneys, the Board recommended revisions to the same and gave the Governor’s representatives the opportunity to revise the proposed fiscal plan; and

WHEREAS representatives of the Governor and the Board’s experts, consultants, and attorneys engaged in extensive discussions about the proposed fiscal plan and the Board’s concerns about the plan, resulting in further changes incorporated into the proposed plan; and

WHEREAS, on April 28, 2017, the Board held an open meeting at which the Governor’s representatives presented the final proposed fiscal plan to the Board and the public; and

WHEREAS the Board has had the opportunity to consider the latest proposed plan and discuss it with its experts, consultants, and attorneys, and believes that, with certain amendments, the plan complies with PROMESA; and

WHEREAS the Board provided an opportunity for public comment on the proposed fiscal plan and on the Board’s recommended modifications to such fiscal plan; and

WHEREAS, after substantial deliberations, the Board has determined to approve and certify the latest proposed fiscal plan, as modified by the following amendments:

HTA Amendment No. 1:

- **The fiscal plan must address the sustainability of HTA by asset: The current plan does not portray the sustainability of HTA’s assets separately. The financials and measures of the highway and transportation assets should be set out separately in the fiscal plan to adequately address the profitability of each before and after the implementation of fiscal measures.**

HTA Amendment No. 2:

- **The fiscal plan must adopt more aggressive measures for the transit system that will address its current losses: The Tren Urbano chapter of the fiscal plan must include material demand inducement and cost efficiency measures that allow the train to target a fare box recovery ratio in line with heavy rail systems on the mainland (35-60%). The plan must also propose revenue enhancement measures for the train system. If the aforementioned measures by themselves are not sufficient to achieve sustainability, the plan should also address the separation of Tren Urbano from HTA as a way to enhance profitability and turn around the train system.**

HTA Amendment No. 3:

- **The fiscal plan must include a proposal to conduct further analysis on the cost-benefit of different options for corporatization, including, for example, Project-specific P3s; Corporatization of specific parts of the system (i.e. assigning responsibility for management and operation to a separate body, to run an asset in a more businesslike way); Privatization of the transit system or Tren Urbano and maintenance of the Highway Authority as a government agency; Corporatization of HTA and transit as separate entities; Full privatization.**

HTA Amendment No 4:

- **The fiscal plan must address how the terms and Board selection process for the HTA Board will be revised to ensure that the terms are independent of political cycles and that board member selection is independent.**

HTA Amendment No. 5:

The fiscal plan must clearly outline how proposed overhead savings intersect with the Commonwealth's Right Sizing targets and identify differences in revenue projections between the HTA plan and the Commonwealth Plan.

HTA Amendment No. 6:

- **The fiscal plan must require the exploration and quantification of the impact of additional revenue enhancement measures on the highway system (e.g. toll credit monetization).**

Implementation Plan and Revised Fiscal Plan:

The Government shall present to the Board a plan to implement the above amendments by no later than 30 days from the date of adoption of said amendments and a revised fiscal plan that complies with the measures described in said amendments no later than 15 days thereafter, which revised fiscal plan shall be subject to the Board's approval; and

NOW, THEREFORE, IT IS HEREBY RESOLVED THAT the Board approves and certifies the latest proposed fiscal plan for HTA pursuant to PROMESA § 201(e), as modified by the amendments described above; and it is

FURTHER RESOLVED that the Board shall issue a compliance certification for such fiscal plan, as amended, to the Governor and the Legislature pursuant to PROMESA § 201(e).

RESOLUTION #4

WHEREAS, on June 30, 2016, the federal Puerto Rico Oversight, Management, and Economic Stability Act ("PROMESA") was enacted; and

WHEREAS section 101 of PROMESA created the Financial Oversight and Management Board for Puerto Rico ("the Board"); and

WHEREAS section 201 of PROMESA establishes a multi-step procedure for the development, review, and approval of fiscal plans for covered territorial instrumentalities, requiring that (i) the proposed fiscal plans be submitted to the Board; (ii) the Board must review the proposed plans and determine either that it satisfies PROMESA's requirements or that it does not, in which case, the Board must issue a notice of violation and recommended revisions giving an opportunity to correct the violations; (iii) revised proposed plans be then submitted to the Board; and (iv) if there is a failure to submit timely a proposed plan the Board determines in its sole discretion satisfies PROMESA's requirements, the Board shall develop and submit to the Governor and the Legislature its own compliant fiscal plan; and

WHEREAS, on March 13, 2017, the Board announced that it had received a proposed fiscal plan for Puerto Rico Aqueduct and Sewer Authority (PRASA); and

WHEREAS, after reviewing the proposed plan with the Governor’s representatives and analyzing and deliberating over it with the Board’s members, economist, consultants, and attorneys, the Board recommended revisions to the same and gave the Governor’s representatives the opportunity to revise the proposed fiscal plan; and

WHEREAS representatives of the Governor and the Board’s experts, consultants, and attorneys engaged in extensive discussions about the proposed fiscal plan and the Board’s concerns about the plan, resulting in further changes incorporated into the proposed plan; and

WHEREAS, on April 28, 2017, the Board held an open meeting at which the Governor’s representatives presented the final proposed fiscal plan to the Board and the public; and

WHEREAS the Board has had the opportunity to consider the latest proposed plan and discuss it with its experts, consultants, and attorneys, and believes that, with certain amendments, the plan complies with PROMESA; and

WHEREAS the Board provided an opportunity for public comment on the proposed fiscal plan and on the Board’s recommended modifications to such fiscal plan; and

WHEREAS, after substantial deliberations, the Board has determined to approve and certify the latest proposed fiscal plan, as modified by the following amendments:

PRASA Amendment No. 1:

- **The fiscal plan must require implementation of a multi-year, permanent rate increase, that is broadly distributed across all customer types (including residential) and that takes into consideration income of customers. This increase must be a pre-approved measure effective from January 2018 through at least the following five years and be supported by a commitment from PRASA to a detailed implementation plan and schedule to be developed, including PRASA Board-led annual review of the rate increase, and provide authority for revisions as deemed necessary by such a review. The plan and the rate increase it achieves must confirm that the rate increase is directed to achieving structural balance and funding CAPEX needs, pre-debt service.**

PRASA Amendment No. 2:

- **The existing analysis addressing the impact on customer type and categories of consumption level must be updated to reflect the above refreshed rate proposal.**

PRASA Amendment No. 3:

- **The fiscal plan must include updated electricity savings in line with the Fiscal Plan submitted by PREPA and confirm the status of PREPA’s involvement in and collaboration with the hydroelectric initiative.**

Implementation Plan and Revised Fiscal Plan:

The Government shall present to the Board a plan to implement the above amendments by no later than 30 days from the date of adoption of said amendments and a revised fiscal plan that complies with the measures described in said amendments no later than 15 days thereafter, which revised fiscal plan shall be subject to the Board's approval; and

NOW, THEREFORE, IT IS HEREBY RESOLVED THAT the Board approves and certifies the latest proposed fiscal plan for PRASA pursuant to PROMESA § 201(e), as modified by the amendments described above; and it is

FURTHER RESOLVED that the Board shall issue a compliance certification for such fiscal plan, as amended, to the Governor and the Legislature pursuant to PROMESA § 201(e).

RESOLUTION #5

WHEREAS, on June 30, 2016, the federal Puerto Rico Oversight, Management, and Economic Stability Act ("PROMESA") was enacted; and

WHEREAS section 101 of PROMESA created the Financial Oversight and Management Board for Puerto Rico ("the Board"); and

WHEREAS section 201 of PROMESA establishes a multi-step procedure for the development, review, and approval of fiscal plans for covered territorial instrumentalities, requiring that (i) the proposed fiscal plans be submitted to the Board; (ii) the Board must review the proposed plans and determine either that it satisfies PROMESA's requirements or that it does not, in which case, the Board must issue a notice of violation and recommended revisions giving an opportunity to correct the violations; (iii) revised proposed plans be then submitted to the Board; and (iv) if there is a failure to submit timely a proposed plan the Board determines in its sole discretion satisfies PROMESA's requirements, the Board shall develop and submit to the Governor and the Legislature its own compliant fiscal plan; and

WHEREAS, on March 13, 2017, the Board announced that it had received a proposed fiscal plan for Puerto Rico Electric Power Authority (PREPA); and

WHEREAS, after reviewing the proposed plan with the Governor's representatives and analyzing and deliberating over it with the Board's members, economist, consultants, and attorneys, the Board recommended revisions to the same and gave the Governor's representatives the opportunity to revise the proposed fiscal plan; and

WHEREAS representatives of the Governor and the Board's experts, consultants, and attorneys engaged in extensive discussions about the proposed fiscal plan and the Board's concerns about the plan, resulting in further changes incorporated into the proposed plan; and

WHEREAS, on April 28, 2017, the Board held an open meeting at which the Governor's representatives presented the final proposed fiscal plan to the Board and the public; and

WHEREAS the Board has had the opportunity to consider the latest proposed plan and discuss it with its experts, consultants, and attorneys, and believes that, with certain amendments, the plan complies with PROMESA; and

WHEREAS the Board provided an opportunity for public comment on the proposed fiscal plan and on the Board's recommended modifications to such fiscal plan; and

WHEREAS, PREPA's Fiscal Plan must provide for lower cost, reliable power that can support the economic growth of Puerto Rico and is consistent with the assumptions included in the certified Commonwealth Fiscal Plan; and

WHEREAS, PREPA's Fiscal Plan projects a 23% reduction in energy sales and states that PREPA faces a potential spiral of escalating rates and declining consumption. The Board believes PREPA's projected reduction in energy use is reasonable and that consumption could be even lower than PREPA forecasts; and

WHEREAS, after substantial deliberations, the Board has determined to approve and certify the latest proposed fiscal plan, as modified by the following amendments:

PREPA Amendment No. 1:

- **Based on the review and analysis of the proposed fiscal plan, energy prices in comparable and competitor jurisdictions, and the best available projections, the Board believes PREPA's Fiscal Plan must be amended to contain achievable, credible, necessary changes to deliver energy to ratepayers at an average all-in rate of 21 cents per kWh by 2023 (the "Target Rate"). The Target Rate reflects the projections of demand, inflation, fuel prices and other external factors included in the fiscal plan. To the extent these factors are different in 2023, the target rate may need to be adjusted (e.g. higher fuel prices may require somewhat higher rates, higher demand may provide for lower rates).**
- **To deliver power at the Target Rate, PREPA will need to substantially lower the cost of generating power (fuel costs) and improve the distribution grid through unimpeded public/private partnerships agreements and/or fully privatizing energy generation subject to regulated utility standards.**
- **PREPA's Fiscal Plan targets are amended consistent with the aforementioned goals, which shall be reflected in a revised Fiscal Plan document to be submitted to the Board within 15 days of this certification. PREPA should also develop and submit to the Board a specific implementation plan within 45 days of this certification to deliver power to ratepayers at the Target Rate by 2023 through lower costs of generation and other efficiencies. The implementation plan should reflect:**
 - **A clear path to realizing necessary capital improvements expeditiously, including a workable financing strategy for a credible capital expenditures plan that rapidly transitions the generation mix to lower cost power sources.**

- A detailed plan to implement public/private partnerships or full privatization for energy generation and to finance necessary improvements in the grid.
- Changes to improve operational efficiency and procurement practices, to lower pension costs, to reduce contract spending, and to lower other costs.
- Development and inclusion of a detailed elimination of the Contribution In Lieu of Taxes (CILT) to 0% within the next 3-5 years beyond the 15% reduction included within the PREPA Fiscal Plan.
- A review of assets that could be monetized, either in the context of public private partnerships or otherwise to fund necessary capital improvements.

PREPA Amendment No. 2:

- The PREPA Fiscal Plan is amended to include a requirement to provide to the Board within 30 days of this certification a confirmation that the composition of its board shall be in compliance with the requirement that at least two thirds of its members meet the qualifications of independence and expertise in energy matters.

PREPA Amendment No. 3:

- The PREPA Fiscal Plan is amended to include a requirement to initiate a 60-day process to establish a mechanism for rate approval with the Energy Commission reflecting the Formula Rate Mechanism (FRM) and rate structures to be determined necessary to meet the amended fiscal plan Target Rate, which shall need to be consistent with the annual PREPA budgets to be certified by the Board. PREPA shall work with the Energy Commission and provide to the Board within 30 days of this certification an implementation plan for the FRM to be reviewed and approved by the Board before its submittal for approval by the Energy Commission.

Implementation Plan and Revised Fiscal Plan:

The Government shall present to the Board an implementation plan and a revised fiscal plan within the time periods specified above, which revised fiscal plan shall be subject to the Board's approval; and

NOW, THEREFORE, IT IS HEREBY RESOLVED THAT the Board approves and certifies the latest proposed fiscal plan for PREPA pursuant to PROMESA § 201(e), as modified by the amendments described above; and it is

FURTHER RESOLVED that the Board shall issue a compliance certification for such fiscal plan, as amended, to the Governor and the Legislature pursuant to PROMESA § 201(e).