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Puerto Rico Electric Transmission & Distribution System Operating & Maintenance Agreement Overview

June 2020

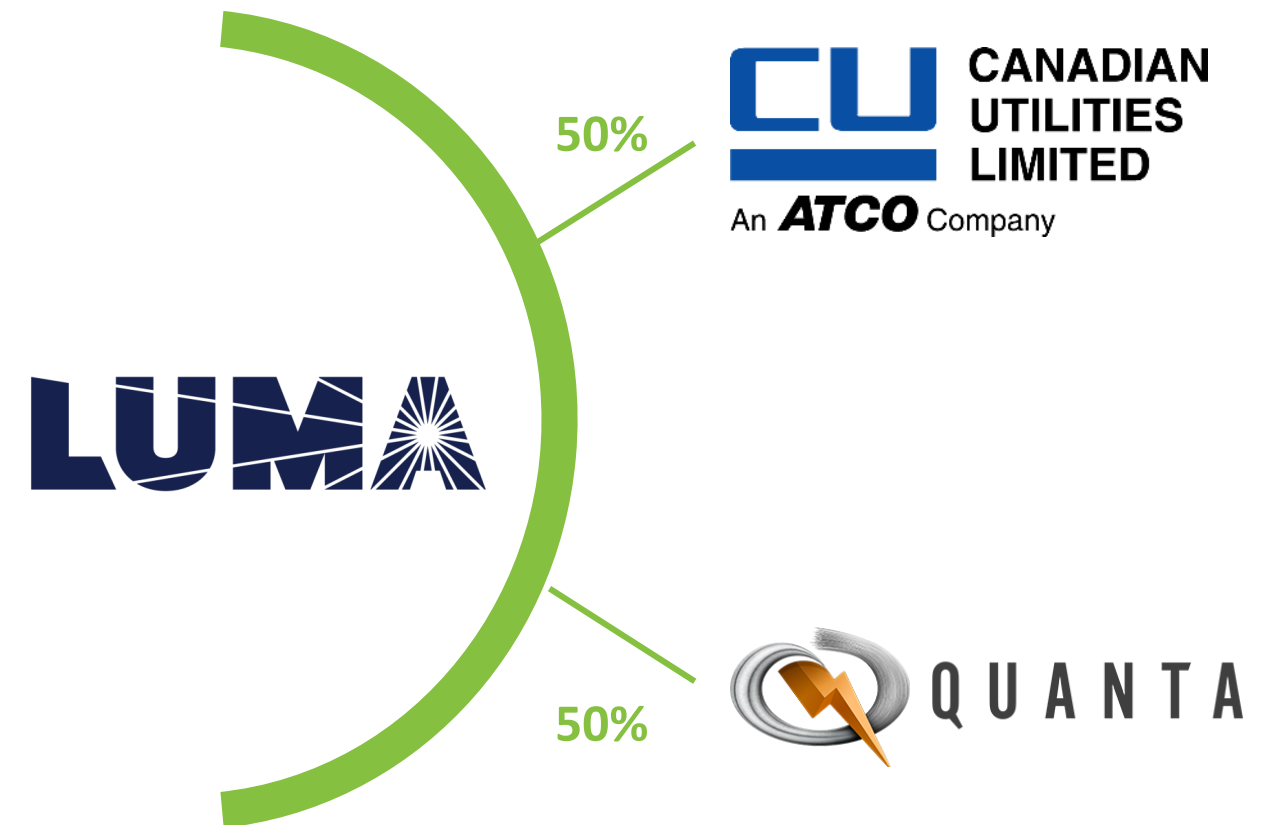
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Puerto Rico Electric T&D Opportunity

In June 2020, the Puerto Rico Public-Private Partnerships Authority (P3A) selected LUMA Energy to manage and modernize Puerto Rico's electric transmission and distribution (T&D) system

- » 16-year contract to operate the T&D system:
 - 1-year transition period beginning mid-2020
 - 15-year fee-for-service Operating & Maintenance (O&M) period commencing in mid-2021
- » O&M contract provides long-term contracted cash flows and earnings with no required capital investment by LUMA
- » Leverages collective expertise to create a reliable, resilient, affordable and sustainable electricity system focused on providing outstanding customer service to the people of Puerto Rico



Key Contract Terms and Objectives

Operating and maintenance services contract that leverages CU's and Quanta's best-in-class capabilities to deliver significant benefits to the people of Puerto Rico

- » **~1-year transition period** – efficient and effective transition of operations from PREPA to LUMA
- » **~15-year operating period** – LUMA assumes responsibility for all in-scope operational matters working with local workforce and management
- » **System operating costs and capital expenditures are pass-through** and paid from PREPA's pre-funded service accounts
- » Significant planned **capital program to rebuild the T&D system post-hurricane Irma and Maria** with **funding through U.S. federal disaster relief agencies** – no required capital investment by LUMA. The Puerto Rico Electric Power Authority (PREPA) retains ownership of all assets.

Key Contract Terms and Objectives

Front-End Transition Period (2020 – 2021)

- » Preparatory work to enable full transition of operations to LUMA. CU and Quanta will work alongside PREPA to realize improvements and achieve an efficient and effective transition of operations.

O&M Services Period (2021 – 2035)

- » LUMA assumes responsibility for all in-scope operational matters to transform the T&D system into an efficient and modern utility. This work will include utility operations and customer service, disaster recovery and storm-hardening capital programs.
- » Back-end transition period begins one year before end of contract term.

Key Financial Contract Terms

Front-End Transition Period Compensation

Front-End Transition Service Fee

- Fixed Front-End Transition Service Fee of US\$60M
- Reimbursement of actual costs to provide Front-End Transition Services

O&M Services Period Compensation

Fixed Fee

- Fixed Fee for each Contract Year (July 1 to June 30) paid monthly
 - Year 1 – US\$70M; Year 2 – US\$90M; Year 3 – US\$100M; Year 4 to 16 – US\$105M
 - Adjusted pro-rata for any partial Contract Year
- Fixed Fee escalated annually at US CPI
- System operating costs and capital expenditures are flow-through expenditures
- LUMA's costs for Executives, Board of Directors, and general corporate administration will be borne by LUMA and paid from the Fixed Fee

Incentive Fee

- Incentive Fee up to a maximum of ~20% of the Fixed Fee in each Contract Year
 - Year 1 – US\$13M; Year 2 – US\$17M; Year 3 – US\$19M; Year 4 to 16 – US\$20M
- Incentive Fee escalated annually at US CPI

Note: All compensation figures above are at the LUMA level. Canadian Utilities Limited holds a 50% interest in LUMA.

Puerto Rico Electric T&D System Overview



Puerto Rico
Electric Power
Authority



- » One of the largest U.S. public utilities serving nearly 1.5 million customers
- » PREPA currently owns and operates the T&D system and generation facilities
 - LUMA will operate T&D system, while PREPA continues to operate generation assets
- » Network of ~30,000km of transmission and distribution lines



LUMA Consortium



- 50 per cent joint venture owner
- Operator of world-class utility businesses delivering safe, reliable and affordable energy to customers
- Market capitalization of C\$9 bn



- 50 per cent joint venture owner
- Industry-leading contractor building reliable energy infrastructure and providing skilled workforce training
- Market capitalization of C\$7 bn



- Sub-contractor to LUMA
- 34 years+ experience supporting disaster response and recovery programs funded by federal, state and local sources with US\$51 bn deployed to date



Purpose-built utility company



Best-in-class operational and customer service expertise



Superior electric utility services and project execution capabilities



Long-time *partners* with track record of superior performance



Specialized *partner* with best-in-class disaster relief funding experience

Shared Vision for Puerto Rico



Key Organizations LUMA is Working With

Counterparties to O&M Agreement	 <p>Puerto Rico Electric Power Authority</p> <ul style="list-style-type: none">• Corporation responsible for power generation and T&D in Puerto Rico• Counterparty to O&M Agreement• Owner of all assets and retains all existing liabilities	 <p>Public-Private Partnerships (P3) Authority</p> <ul style="list-style-type: none">• Government agency responsible for administering P3s in Puerto Rico• Counterparty to and administrator of O&M Agreement
Federal relief funding	 <p>FEMA</p> <ul style="list-style-type: none">• Coordinates U.S. federal government's role in disaster response and recovery• Provider of federal funding to Puerto Rico for planned capital program to rebuild from 2017 hurricanes	 <p>COR CENTRAL OFFICE FOR RECOVERY, RECONSTRUCTION AND RESILIENCY</p> <ul style="list-style-type: none">• Agency set up as recipient of federal relief funding from FEMA• Coordinates with sub-recipients, such as PREPA, to distribute funds
Regulatory and oversight	 <p>Puerto Rico Energy Bureau</p> <ul style="list-style-type: none">• Entity responsible for regulatory oversight of the electrical system• Approves all rates and applications using a Fair and Reasonable Doctrine	 <p>FOMB</p> <ul style="list-style-type: none">• Financial oversight board responsible for managing Title III bankruptcy process and fiscal plans in Puerto Rico• Interaction with LUMA as Puerto Rico bankruptcy process concludes

Opportunity Highlights

- » LUMA has been selected to plan and execute a **historic transformation and modernization** of the electricity system working with the local workforce, PREPA and other parties to provide **significant benefits to the people of Puerto Rico**
- » **Long-term contracted cash flows and earnings** with **no required capital investment**
- » **Continues Canadian Utilities' geographic expansion and diversification strategy** into the U.S. and Latin America
- » Strong relationship and joint project management with **well-known and industry-leading partner in Quanta**
- » Developing **operating contract model** and **next generation energy expertise that can be used as a blueprint for future opportunities**
- » **Positioned to provide other services** to the people of Puerto Rico



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