



**ATCO**

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

*June 2020*

# LEGAL DISCLAIMER

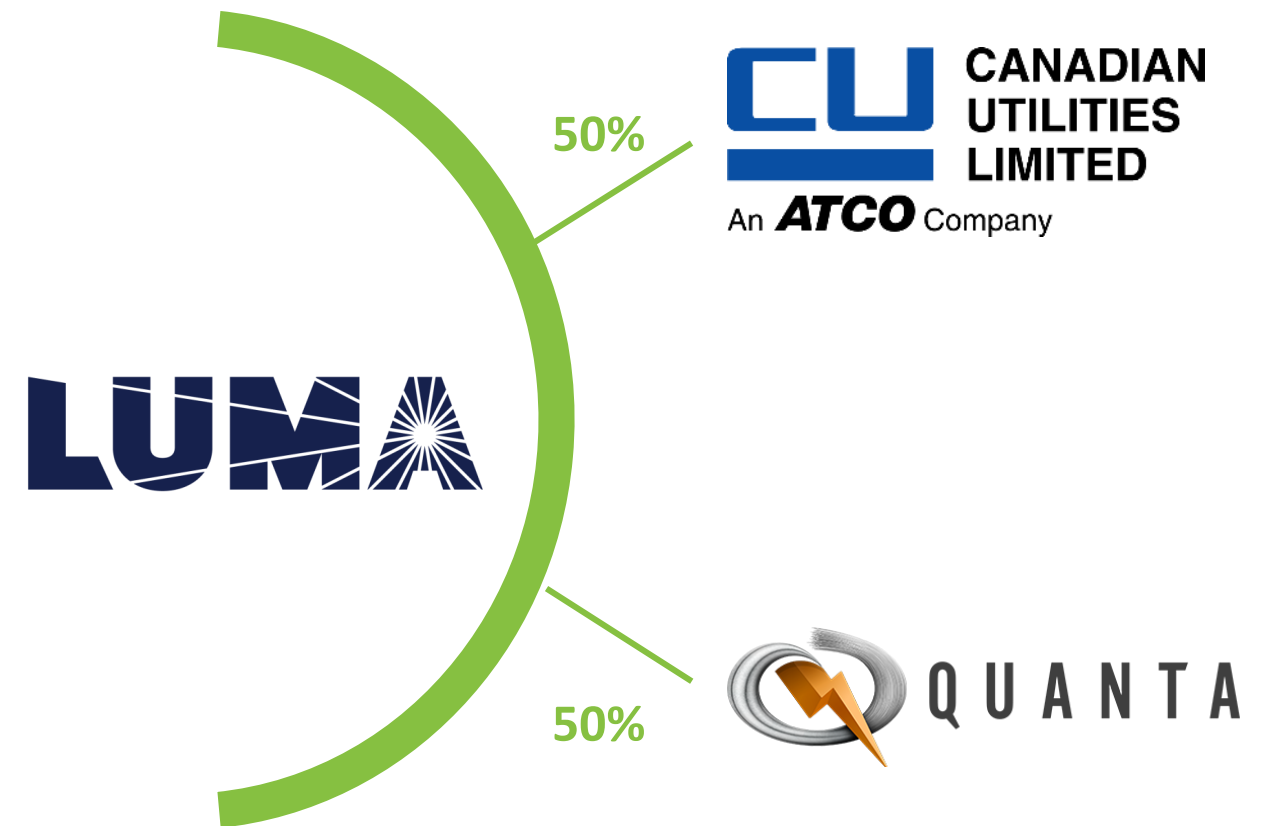
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# Puerto Rico Electric T&D Opportunity

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

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## 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

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## 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

- 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



Puerto Rico  
Electric Power  
Authority



# 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

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# Key Organizations LUMA is Working With

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

# Opportunity Highlights

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- 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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