

Key Reasons for Transaction

- A dated electrical system in poor condition
- Stability and reliability challenges
- Inconsistent customer support and collections operations
- Lack of access to modern workforce training and practices
- Workforce attrition and shortages
- Reduced revenues
- A lack of long-term planning and managerial continuity
- A geographic mismatch between supply and demand (i.e., generation concentrated in the South and demand mostly in the North)

PREPA's challenges were exacerbated by hurricanes Irma and Maria and the earthquakes that continue to strike Puerto Rico.

Key Transaction Objectives

- "Build back better" the energy sector of Puerto Rico
- Create a modern, sustainable, reliable, efficient cost effective and resilient energy system
- Build an electric system that can adequately withstand future extreme weather and man-made events and with improved emergency preparedness
- Provide electric service at a reasonable cost by harnessing private sector experience and resources to maximize operational efficiency and financial stability in running the utility
- Provide the people of Puerto Rico with a more reliable T&D system (fewer and shorter outages)
- Bring incident rates, and other safety measures in line with industry standards
- Create an electric system that is a leader in environmental stewardship that accommodates transition from fossil fuels to renewable resources
- Implement industry best practices and operational excellence through managerial continuity and long-term planning
- Secure maximum amounts of federal disaster assistance funding to help rebuild energy infrastructure in the aftermath of Hurricanes Maria and Irma
- Develop more responsive customer-centric service and measure customer satisfaction through an independent third-party
- Jumpstart a long-term revitalization of the Puerto Rican economy through the delivery of reliable and resilient electricity thereby bringing more investment to the island and supporting economic development

Highlights of Procurement Process

- 5 world-class RFQ participants
- 4 pre-qualified bidders participated in the RFP process
- 17,988 documents related to PREPA (totaling 149,181 megabytes of data), many of which had to be translated into English, uploaded to the Data Room for bidders to review
- Over 700 diligence questions asked and answered
- Over 20 extensive diligence calls and in-person meetings with bidders
- Over 7 drafts of transaction documents distributed to bidders for review and comment
- 8 in-person meetings to walk through and discuss bidder comments to transaction documents
- Over 19 Partnership Committee meetings to review and discuss elements of the transaction
- 2 RFP bids received from experienced industry leaders

Who is LUMA

LUMA is a Puerto Rico company owned by ATCO Ltd. (ATCO) and Quanta Services, Inc. (Quanta) that is working in conjunction with Innovative Emergency Management, Inc. (IEM) for its federal funding expertise.

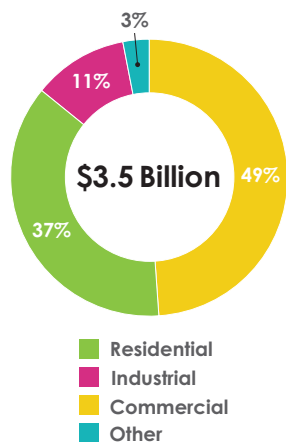
- ATCO – a diversified global holding corporation with decades of operational excellence managing several world-class utilities that deliver safe and reliable energy to millions of customers
- Quanta – an industry-leading infrastructure solutions provider with technical experience in building reliable, sustainable infrastructure and best-in-class craft skilled workforce training
- IEM – an expert in transparent management of federal funds with more than 35 years of experience helping the public and private sectors enhance preparedness, mitigate risks and effectively respond to and recover from disasters

LUMA will leverage the collective experience of:

- A combined workforce of more than 50,000 people
- The largest specialized fleet in North America
- Operating more than 52,000 miles of transmission and distribution lines covering 165,000 square miles of service territory
- Overseeing over \$51 billion in disaster recovery programs
- Supporting more than 300 state, local and territorial jurisdictions with a wide range of emergency management services

PREPA by the Numbers

Annual Revenues



Number of Customers



~1.5 million

- 91% residential
- 9% commercial
- 1% industrial & other

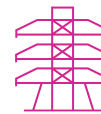
Number of Employees



~6,000

- 41% T&D employees
- 19% generation employees
- 40% other employees

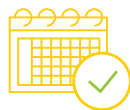
Miles of T&D Lines



- **1,114 miles of transmission lines** (230 kV / 115 kV)
- **1,376 miles of sub-transmission lines** (38 kV)
- **16,035 miles of primary voltage distribution lines** (13 kV, 8 kV, 4 kV)
- **339 PREPA-owned and 613 privately-owned substations**

T&D Transaction by the Numbers

Anticipated Period to LUMA Takeover of Operations



~11 months

Projected Average Annual Operating Savings Over First Half of Term



\$169 million

- Savings **27% greater** than average annual **Service Fee** for the period
- Cumulative net savings of \$323 million **after** payment of Service Fee

Incentive Fee Tied to Performance Metrics



- ✓ Improved **reliability** and **resiliency**
- ✓ Enhanced **customer service**
- ✓ Greater focus on **safety**

T&D Transaction Contract Terms

The O&M structure best addresses the objectives to maximize the use of federal funds for modernization of the electric grid and reform the sector to lower overall costs to consumers.

The O&M Contract provides that:

- Ownership of the T&D System remains with PREPA throughout the term
- Operator must (i) comply with specific operating standards and (ii) exceed certain performance benchmarks over the course of the term in order to earn its incentive fee
- Operator's compensation is part of the overall cost of operating the electric system in Puerto Rico, which is estimated at more than \$3 billion per year

LUMA will be responsible for all aspects of operating, managing, maintaining, repairing, restoring and improving the T&D system. This includes, among other things:

- Implementing the plan to remediate, repair, replace and stabilize the T&D system equipment, systems and services
- Procuring and administering federal funding
- Recommending and performing capital improvements
- Representing PREPA before PREB and preparing related filings and submission
- Providing improved customer service, including billing

