

Atlantic Power Corporation Announces New Contractual Arrangements for Naval Station and North Island Projects

DEDHAM, Mass., Aug. 1, 2017 /PRNewswire/ -- Atlantic Power Corporation (NYSE: AT) (TSX: ATP) ("Atlantic Power" or the "Company") announced today new seven-year Power Purchase Tolling Agreements ("PPTAs") for two of its power projects in San Diego, the Naval Station project located on Naval Base San Diego, in the amount of 48 megawatts (MW), and the North Island project located on Naval Base Coronado, in the amount of 38.6 MW. Both PPTAs are with San Diego Gas & Electric Company ("SDG&E"), the existing power customer for the two projects. The PPTAs are subject to certain significant conditions or approvals, as described below. If these conditions are met, delivery obligations under the PPTAs would commence as early as February 2018.

"We are pleased to have reached agreement with SDG&E on new contractual arrangements for our Naval Station and North Island projects. These agreements represent an important milestone in our effort to extend operation of these facilities," said Joe Cofelice, Executive Vice President, Commercial Development. "In a market where gas-fired generation is under economic pressure, the PPTAs offer us an attractive return on the incremental investment that we expect to make in the projects, which we believe have long-term value as sources of flexible generation in the San Diego load pocket."

Mr. Cofelice continued, "In late May, we submitted detailed proposals in the second round of the solicitation under which the U.S. Navy is seeking to address its need for energy security and resiliency at the two naval bases. In addition to the approval of the California Public Utilities Commission, a positive outcome in this solicitation is required for the Company to proceed under the new PPTAs."

Background on Existing Contractual Arrangements

The Company's Naval Station, North Island and Naval Training Center ("NTC") projects sell power to SDG&E under Power Purchase Agreements that are scheduled to expire in December 2019 (the "Existing PPAs"). In addition, all three projects supply steam to the U.S. Navy under agreements that provide the Company with the right to use the property at the respective sites on which each project is located (the "Navy agreements"). The Navy agreements are scheduled to expire in February 2018.

The Navy, which does not expect to have a need for steam from these projects after the Navy agreements expire, initiated a solicitation in early March for proposals to provide energy security and resiliency using the existing sites at Naval Base San Diego and Naval Base Coronado. In late May, the Company submitted detailed proposals for both sites in the second phase of the three-phase solicitation. If successful in this process, the Company would retain continued use of the two sites beyond February 2018 ("site control").

Conditions Precedent

The new PPTAs are subject to certain significant conditions, including obtaining the approval of the California Public Utilities Commission ("CPUC") and retaining site control. CPUC approval could take approximately four months or longer. The timeframe for the Navy process is undetermined.

Termination of the Existing PPAs

The Company and SDG&E have executed amendments to the Existing PPAs for all three projects, which provide for termination of the Existing PPAs as early as February 2018, coincident with the expiration of the Navy agreements. These amendments to the Existing PPAs are also subject to CPUC approval.

Resource Adequacy Contracts

The Company and SDG&E also have entered into Resource Adequacy ("RA") contracts for Naval Station and North Island, which are subject to CPUC approval and are conditioned upon the Company retaining site control beyond February 2018. The RA contracts for Naval Station and North Island are contingent arrangements that would become effective only under limited circumstances and conditions. In addition, the Company and SDG&E have entered into an RA contract for NTC, under which NTC would supply RA capacity to SDG&E from February through December 2018. This RA contract is also subject to CPUC approval and is conditioned upon retaining site control; however, the NTC project is not included in the Navy's solicitation for the other two sites and thus the process for

retaining control of the NTC site is undetermined.

Financial Implications

The Company expects approximately \$16 million of Project Adjusted EBITDA from Naval Station and North Island on a combined basis in 2017. Power prices and interest rates are significantly lower now than at the time the Existing PPAs were originally executed in the mid-1980s. In addition, the incremental investment required to meet the requirements of the PPTAs is much less than the original investment. For these reasons, the Project Adjusted EBITDA of the two projects under the PPTAs is expected to be approximately \$6 million annually on a combined basis, beginning in February 2018. In conjunction with the new PPTAs, the Company expects to make investments in both projects in the form of major maintenance and upgrades, primarily in 2018.

The NTC project, which has a capacity of 25 MW, is expected to generate approximately \$4 million of Project Adjusted EBITDA in 2017. The Company is continuing to pursue contractual arrangements for the project for 2019 and beyond. If successful in arranging new contracts and meeting the necessary conditions, the Company expects the resulting Project Adjusted EBITDA for NTC would be significantly lower than the 2017 level.

About Atlantic Power

Atlantic Power owns and operates a diverse fleet of twenty-three power generation assets across nine states in the United States and two provinces in Canada. The Company's power generation projects sell electricity to utilities and other large commercial customers largely under long-term power purchase agreements, which seek to minimize exposure to changes in commodity prices. The aggregate gross electric generation capacity of this portfolio is approximately 2,138 MW, and the Company's aggregate net ownership interest is approximately 1,500 MW. Nineteen of the projects are currently operational, totaling 1,975 MW on a gross capacity basis and 1,337 MW on a net ownership basis. The remaining four projects, all in Ontario, are not operational, three due to revised contractual arrangements with the offtaker and the other, Tunis, has a forward-starting 15-year contractual agreement that will commence between November 2017 and June 2019.

Atlantic Power's shares trade on the New York Stock Exchange under the symbol AT and on the Toronto Stock Exchange under the symbol ATP. For more information, please visit the Company's website at www.atlanticpower.com or contact:

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Copies of the Company's financial data and other publicly filed documents are available on SEDAR at www.sedar.com or on EDGAR at www.sec.gov/edgar.shtml under "Atlantic Power Corporation" or on the Company's [website](#).

*******Cautionary**

Note Regarding Forward-Looking Statements

To the extent any statements made in this news release contain information that is not historical, these statements are forward-looking statements within the meaning of Section 27A of the U.S. Securities Act of 1933, as amended, and Section 21E of the U.S. Securities Exchange Act of 1934, as amended, and under Canadian securities law (collectively, "forward-looking statements").

Certain statements in this news release may constitute "forward-looking statements", which reflect the expectations of management regarding the future growth, results of operations, performance and business prospects and opportunities of the Company and its projects. These statements, which are based on certain assumptions and describe the Company's future plans, strategies and expectations, can generally be identified by the use of the words "may," "will," "project," "continue," "believe," "intend," "anticipate," "expect" or similar expressions that are predictions of or indicate future events or trends and which do not relate solely to present or historical matters.

Examples of such statements in this press release include, but are not limited, to statements with respect to the following:

- the Company's belief that Naval Station and North Island represent valuable sources of flexible generation for

- the long term;
- the Company's ability to achieve a successful outcome in the Navy solicitation and retain site control at Naval Station and North Island beyond February 2018;
 - the Company's ability to satisfy certain conditions relating to the PPTAs and amendments to the Existing PPAs, including obtaining the approval of the CPUC;
 - the Company's expectation with respect to the timing of CPUC approval;
 - the Company's expectations with respect to the level of Project Adjusted EBITDA that Naval Station, North Island and NTC will generate in 2017;
 - the Company's expectations with respect to the level of Project Adjusted EBITDA that Naval Station and North Island may generate under the PPTAs; and
 - the Company's ability to retain site control at NTC and its views with respect to the outlook for NTC beyond the February 2018 early termination of its PPA.

Forward-looking statements involve significant risks and uncertainties, should not be read as guarantees of future performance or results, and will not necessarily be accurate indications of whether or not or the times at or by which such performance or results will be achieved. Please refer to the factors discussed under "Risk Factors" and "Forward-Looking Information" in the Company's periodic reports as filed with the Securities and Exchange Commission from time to time for a detailed discussion of the risks and uncertainties affecting the Company, including, without limitation, Company's ability to achieve a successful outcome in the Navy solicitation and its ability to satisfy the other conditions to the PPTAs, including the approval by the CPUC; the Company's ability to generate revenue from projects with PPAs expiring in the next several years, and the outcome or impact on the Company's business of any such actions. Although the forward-looking statements contained in this news release are based upon what are believed to be reasonable assumptions, investors cannot be assured that actual results will be consistent with these forward-looking statements, and the differences may be material. These forward-looking statements are made as of the date of this news release and, except as expressly required by applicable law, the Company assumes no obligation to update or revise them to reflect new events or circumstances. The Company's ability to achieve its longer-term goals, including those described in this news release, is based on significant assumptions relating to and including, among other things, the general conditions of the markets in which it operates, revenues, internal and external growth opportunities, and general financial market and interest rate conditions. The Company's actual results may differ, possibly materially and adversely, from these goals.

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