

News Releases

NextEra Energy Partners, LP announces agreement to acquire a 50% interest in an approximately 2,520-megawatt portfolio of long-term contracted renewables projects and enters into new convertible equity portfolio financing

10/22/2021

- Announces agreement to acquire a 50% interest in a renewables portfolio, consisting of approximately 2,520 megawatts of newly constructed or in-construction renewables projects and approximately 115 megawatts of integrated battery storage
- Enters into an agreement for a 10-year, approximately \$824 million convertible equity portfolio financing that includes the acquired assets
- Acquisition extends NextEra Energy Partners' portfolio into three new states and expands its ownership of battery storage assets, which would total nearly 90 megawatts following the close of the acquisition

JUNO BEACH, Fla., Oct. 22, 2021 /PRNewswire/ -- NextEra Energy Partners, LP (NYSE: NEP) today announced that it has entered into an agreement with a subsidiary of NextEra Energy Resources, LLC to acquire a 50% interest in an approximately 2,520-megawatt (MW) renewables portfolio. In conjunction with the acquisition, NextEra Energy Partners has also entered into an approximately \$824 million convertible equity portfolio financing with Apollo Global Management (Apollo).



"The transactions announced today support NextEra Energy Partners' continued ability to execute on its long-term growth plan and access attractive low-cost sources of capital," said Jim Robo, chairman and chief executive officer. "The acquisition of the high-quality, long-term contracted renewable energy assets extends the partnership's geographic footprint into three new states and expands its ownership of battery storage assets, which would total nearly 90 megawatts at close. Additionally, the convertible equity portfolio financing we are announcing today is the lowest cost in the partnership's history, with a more than 250 basis points lower implied return to the investor in the buyout price than the first iterations of the structure in 2018 and early 2019. This significant access to low-cost capital and access to NextEra Energy Resources' industry-leading renewables portfolio enables NextEra Energy Partners to be uniquely positioned to take advantage of the clean energy transformation and meet its long-term growth objectives."

Portfolio acquisition details

The contracted renewables portfolio of wind, solar and solar-plus-storage assets has a strong and diverse mix of investment-grade counterparties and cash available for distribution (CAFD)- weighted remaining contract life of approximately 19 years. The portfolio to be acquired by NextEra Energy Partners consists of 50% of the indirect membership interests in:

- *White Mesa Wind, an approximately 501-MW wind generation facility in Texas.*
- *Irish Creek Wind, an approximately 301-MW wind generation facility in Kansas.*
- *Hubbard Wind, an approximately 300-MW wind generation facility in Texas.*
- *Cool Springs Solar, an approximately 213-MW solar generation and 40-MW solar storage facility in Georgia.*
- *Little Blue Wind, an approximately 251-MW wind generation facility in Nebraska.*
- *Dodge Flat Solar, an approximately 200-MW solar generation and 50-MW solar storage facility in Nevada.*
- *Elora Solar, an approximately 150-MW solar generation facility in Tennessee.*
- *Quitman II Solar, an approximately 150-MW solar generation facility in Georgia.*
- *Fish Springs Ranch Solar, an approximately 100-MW solar generation and 25-MW solar storage facility in Nevada.*
- *Minco Wind Energy III, an approximately 107-MW wind generation facility in Oklahoma.*
- *Ensign Wind Energy, an approximately 99-MW wind generation facility in Kansas.*
- *Borderlands Wind, an approximately 99-MW wind generation facility in New Mexico.*
- *Quinebaug Solar, an approximately 49-MW solar generation facility in Connecticut.*

NextEra Energy Partners expects to acquire the interests in the assets for a total consideration of approximately \$849 million, subject to working capital and other adjustments, plus NextEra Energy Partners' share of the portfolio's total tax equity financings, which is estimated to be approximately \$866 million at the time of closing. The acquisition is expected to contribute adjusted EBITDA of approximately \$184 million to \$194 million and CAFD of

approximately \$58 million to \$67 million, each on a five-year average annual run-rate basis, as of Dec. 31, 2022.

NextEra Energy Partners expects to close the acquisition later this year or in early 2022, subject to customary closing conditions and receipt of certain regulatory approvals.

Financing details

Immediately following the acquisition, NextEra Energy Partners will contribute its interests in the newly acquired assets to a new portfolio. In conjunction with the acquisition and creation of the new portfolio, NextEra Energy Partners has entered into an approximately \$824 million convertible equity portfolio financing agreement with Apollo.

The financing will provide NextEra Energy Partners with the flexibility to periodically buy out the investor's equity interest in the portfolio between the five- and 10-year anniversaries of the agreement at a fixed pre-tax annual return of approximately 5.6% (inclusive of all prior distributions). NextEra Energy Partners will have the right to pay 100% of the buyout price in NextEra Energy Partners' common units, issued at no discount to the then-current market price.

When fully drawn, the convertible equity portfolio financing agreement will allocate at least 35% of the portfolio's cash flows to NextEra Energy Partners over the initial 10-year period, subject to certain minimum buyout thresholds being met beginning at the end of year six. This cash flow allocation implies an approximately 4.8% effective annual coupon on the investor's outstanding investment over the initial period prior to NextEra Energy Partners' anticipated initiation of periodic buyouts of the investor's equity interest.

Outlook

NextEra Energy Partners continues to expect to be in the upper end of its previously disclosed year-end 2021 run-rate adjusted EBITDA and CAFD expectations ranges of \$1.44 billion to \$1.62 billion and \$600 million to \$680 million, respectively. The current year-end 2021 adjusted EBITDA and CAFD expectations ranges exclude contributions from the approximately 1,260 MW of acquisitions that the partnership is announcing today due to uncertainty in regulatory approval timelines. These contributions are included in the partnership's previously disclosed year-end 2022 adjusted EBITDA and CAFD expectations ranges.

NextEra Energy Partners' Dec. 31, 2022, run-rate expectations as announced on Oct. 20, 2021, remain unchanged. Adjusted EBITDA is expected to be in a range of \$1.775 billion to \$1.975 billion and CAFD is expected to be in a range of \$675 million to \$765 million, reflecting calendar year 2023 expectations for the forecasted portfolio at year-end 2022.

These expectations are subject to the usual caveats and include the impact of incentive distribution rights (IDR) fees, as these fees are treated as an operating expense.

From a base of its fourth-quarter 2020 distribution per common unit at an annualized rate of \$2.46 per common unit, NextEra Energy Partners continues to expect 12% to 15% per year growth in limited partner distributions as being a reasonable range of expectations through at least 2024, subject to the usual caveats. NextEra Energy Partners expects the annualized rate of the fourth-quarter 2021 distribution, which is payable in February 2022, to be in a range of \$2.76 to \$2.83 per common unit.

This news release refers to adjusted EBITDA and CAFD expectations. NextEra Energy Partners' adjusted EBITDA expectations represent projected (a) revenue less (b) fuel expense, less (c) project operating expenses, less (d) corporate G&A, plus (e) other income less (f) other deductions including IDR fees. Projected revenue as used in the calculations of projected EBITDA represents the sum of projected (a) operating revenues plus (b) a pre-tax allocation of production tax credits, plus (c) a pre-tax allocation of investment tax credits plus (d) earnings impact from convertible investment tax credits and plus (e) the reimbursement for lost revenue received pursuant to a contract with NextEra Energy Resources.

CAFD is defined as cash available for distribution and represents adjusted EBITDA less (1) a pre-tax allocation of production tax credits, less (2) a pre-tax allocation of investment tax credits, less (3) earnings impact from convertible investment tax credits, less (4) debt service, less (5) maintenance capital, less (6) income tax payments less, (7) other non-cash items included in adjusted EBITDA if any. CAFD excludes changes in working capital and distributions to preferred equity investors.

Adjusted EBITDA, CAFD, limited partner distribution and other expectations assume, among other things, normal weather and operating conditions; public policy support for wind and solar development and construction; market demand and transmission expansion support for wind and solar development; market demand for pipeline capacity; and access to capital at reasonable cost and terms. Please see the accompanying cautionary statements for a list of the risk factors that may affect future results. Adjusted EBITDA and CAFD do not represent substitutes for net income, as prepared in accordance with GAAP. The adjusted EBITDA and CAFD run-rate expectations have not been reconciled to GAAP net income because NextEra Energy Partners' GAAP net income includes unrealized mark-to-market gains and losses related to derivative transactions, which cannot be determined at this time.

NextEra Energy Partners, LP

NextEra Energy Partners, LP (NYSE: NEP) is a growth-oriented limited partnership formed by NextEra Energy, Inc. (NYSE: NEE). NextEra Energy Partners acquires, manages and owns contracted clean energy projects with stable, long-term cash flows. Headquartered in Juno Beach, Florida, NextEra Energy Partners owns interests in geographically diverse wind and solar projects in the U.S. as well as natural gas infrastructure assets in Texas and Pennsylvania. For more information about NextEra Energy Partners, please visit: www.NextEraEnergyPartners.com.

Cautionary Statements and Risk Factors That May Affect Future Results

This news release contains "forward-looking statements" within the meaning of the federal securities laws. Forward-looking statements are not statements of historical facts, but instead represent the current expectations of NextEra Energy Partners, LP (together with its subsidiaries, NEP) regarding future operating results and other future events, many of which, by their nature, are inherently uncertain and outside of NEP's control. Forward-looking statements in this news release include, among others, statements concerning adjusted EBITDA, cash available for distributions (CAFD) and unit distribution expectations, as well as statements concerning NEP's future operating performance and financing needs. In some cases, you can identify the forward-looking statements by words or phrases such as "will," "may result," "expect," "anticipate," "believe," "intend," "plan," "seek," "aim," "potential," "projection," "forecast," "predict," "goals," "target," "outlook," "should," "would" or similar words or expressions. You should not place undue reliance on these forward-looking statements, which are not a guarantee of future performance. The future results of NEP and its business and financial condition are subject to risks and uncertainties that could cause NEP's actual results to differ materially from those expressed or implied in the forward-looking statements. These risks and uncertainties could require NEP to limit or eliminate certain operations. These risks and uncertainties include, but are not limited to, the following: NEP's ability to make cash distributions to its unitholders is affected by wind and solar conditions at its renewable energy projects; Operation and maintenance of renewable energy projects and pipelines involve significant risks that could result in unplanned power outages, reduced output or capacity, personal injury or loss of life; NEP's business, financial condition, results of operations and prospects can be materially adversely affected by weather conditions, including, but not limited to, the impact of severe weather; NEP depends on certain of the renewable energy projects and pipelines in its portfolio for a substantial portion of its anticipated cash flows; NEP is pursuing the repowering of wind projects and the expansion of natural gas pipelines that will require up-front capital expenditures and expose NEP to project development risks; Terrorist acts, cyberattacks or other similar events could impact NEP's projects, pipelines or surrounding areas and adversely affect its business; The ability of NEP to obtain insurance and the terms of any available insurance coverage could be materially adversely affected by international, national, state or local events and company-specific events, as well as the financial condition of insurers. NEP's insurance coverage does not provide protection against all significant losses; NEP relies on interconnection, transmission and other pipeline facilities of third parties to deliver energy from its renewable energy projects and to transport natural gas to and from its pipelines. If these facilities become unavailable, NEP's projects and pipelines may not be able to operate or deliver energy or may become partially or fully unavailable to transport natural gas; NEP's business is subject to liabilities and operating restrictions arising from environmental, health and safety laws and regulations, compliance with which may require significant capital expenditures, increase NEP's cost of operations and affect or limit its business plans; NEP's renewable energy projects or pipelines may be adversely affected by legislative changes or a failure to comply with applicable energy and pipeline regulations; Petroleos Mexicanos (Pemex) may claim certain immunities under the Foreign Sovereign Immunities Act and Mexican law, and the Texas pipeline entities' ability to sue or recover from Pemex for breach of contract may be limited and may be exacerbated if there is a deterioration in the economic relationship between the U.S. and Mexico; NEP does not own all of the land on which the projects in its portfolio are located and its use and enjoyment of the property may be adversely affected to the extent that there are any lienholders or land rights holders that have rights that are superior to NEP's rights or the U.S. Bureau of Land Management suspends its federal rights-of-way grants; NEP is subject to risks associated with litigation or administrative proceedings that could materially impact its operations, including, but not limited to, proceedings related to projects it acquires in the future; NEP's cross-border operations require NEP to comply with anti-corruption laws and regulations of the U.S. government and Mexico; NEP is subject to risks associated with its ownership interests in projects or pipelines that are under construction, which could result in its inability to complete construction projects on time or at all, and make projects too expensive to complete or cause the return on an investment to be less than expected; NEP relies on a limited number of customers and is exposed to the risk that they may be unwilling or unable to fulfill their contractual obligations to NEP or that they otherwise terminate their agreements with NEP; NEP may not be able to extend, renew or replace expiring or terminated power purchase agreements (PPA), natural gas transportation agreements or other customer contracts at favorable rates or on a long-term basis; If the energy production by or availability of NEP's renewable energy projects is less than expected, they may not be able to satisfy minimum production or availability obligations under their PPAs; NEP's growth strategy depends on locating and acquiring interests in additional projects consistent with its business strategy at favorable prices; Reductions in demand for natural gas in the United States or Mexico and low market prices of natural gas could materially adversely affect NEP's pipeline operations and cash flows; Government laws, regulations and policies providing incentives and subsidies for clean energy could be changed, reduced or eliminated at any time and such changes may negatively impact NEP's growth strategy; NEP's growth strategy depends on the acquisition of projects developed by NextEra Energy, Inc. (NEE) and third parties, which face risks related to project siting, financing, construction, permitting, the environment, governmental approvals and the negotiation of project development agreements; Acquisitions of existing clean energy projects involve numerous risks; NEP may continue to acquire other sources of clean energy and may expand to include other types of assets. Any further acquisition of non-renewable energy projects may present unforeseen challenges and result in a competitive disadvantage relative to NEP's more-established competitors; NEP faces substantial competition primarily from regulated utilities, developers, independent power producers, pension funds and private equity funds for opportunities in North America; The natural gas pipeline industry is highly competitive, and increased competitive pressure could adversely affect NEP's business; NEP may not be able to access sources of capital on commercially reasonable terms, which would have a material adverse effect on its ability to consummate future acquisitions and pursue other growth opportunities; Restrictions in NEP and its subsidiaries' financing agreements could adversely affect NEP's business, financial condition, results of operations and ability to make cash distributions to its unitholders; NEP's cash distributions to its unitholders may be reduced as a result of restrictions on NEP's subsidiaries' cash distributions to NEP under the terms of their indebtedness or other financing agreements; NEP's subsidiaries' substantial amount of indebtedness may adversely affect NEP's ability to operate its business, and its failure to comply with the terms of its subsidiaries' indebtedness could have a material adverse effect on NEP's financial condition; NEP is exposed to risks inherent in its use of interest rate swaps; NEE has influence over NEP; Under the cash sweep and credit support agreement, NEP receives credit support from NEE and its affiliates. NEP's subsidiaries may default under contracts or become subject to cash sweeps if credit support is terminated, if NEE or its affiliates fail to honor their obligations under credit support arrangements, or if NEE or another credit support provider ceases to satisfy creditworthiness requirements, and NEP will be required in certain circumstances to reimburse NEE for draws that are made on credit support; NextEra Energy Resources, LLC (NEER) or one of its affiliates is permitted to borrow funds received by NEP's subsidiaries and is obligated to return these funds only as needed to cover project costs and distributions or as demanded by NextEra Energy Operating Partners, LP (NEP OpCo). NEP's financial condition and ability to make distributions to its unitholders, as well as its ability to grow distributions in the future, is highly dependent on NEER's performance of its obligations to return all or a portion of these funds; NEER's right of first refusal may adversely affect NEP's ability to consummate future sales or to obtain favorable sale terms; NextEra Energy Partners GP, Inc. (NEP GP) and its affiliates may have conflicts of interest with NEP and have limited duties to NEP and its unitholders; NEP GP and its affiliates and the directors and officers of NEP are not restricted in their ability to compete with NEP, whose business is subject to certain restrictions; NEP may only terminate the Management Services Agreement among, NEP, NextEra Energy Management Partners, LP (NEE Management), NEP OpCo and NextEra Energy Operating Partners GP, LLC (NEP OpCo GP) under certain limited circumstances; If the agreements with NEE Management or NEER are terminated, NEP may be unable to contract with a substitute service provider on similar terms; NEP's arrangements with NEE limit NEE's potential

liability, and NEP has agreed to indemnify NEE against claims that it may face in connection with such arrangements, which may lead NEE to assume greater risks when making decisions relating to NEP than it otherwise would if acting solely for its own account; NEP's ability to make distributions to its unitholders depends on the ability of NEP OpCo to make cash distributions to its limited partners; If NEP incurs material tax liabilities, NEP's distributions to its unitholders may be reduced, without any corresponding reduction in the amount of the IDR fee; Holders of NEP's units may be subject to voting restrictions; NEP's partnership agreement replaces the fiduciary duties that NEP GP and NEP's directors and officers might have to holders of its common units with contractual standards governing their duties and the NYSE does not require a publicly traded limited partnership like NEP to comply with certain of its corporate governance requirements; NEP's partnership agreement restricts the remedies available to holders of NEP's common units for actions taken by NEP's directors or NEP GP that might otherwise constitute breaches of fiduciary duties; Certain of NEP's actions require the consent of NEP GP; Holders of NEP's common units currently cannot remove NEP GP without NEE's consent and provisions in NEP's partnership agreement may discourage or delay an acquisition of NEP that NEP unitholders may consider favorable; NEE's interest in NEP GP and the control of NEP GP may be transferred to a third party without unitholder consent; NEP may issue additional units without unitholder approval, which would dilute unitholder interests; Reimbursements and fees owed to NEP GP and its affiliates for services provided to NEP or on NEP's behalf will reduce cash distributions from NEP OpCo and from NEP to NEP's unitholders, and there are no limits on the amount that NEP OpCo may be required to pay; Increases in interest rates could adversely impact the price of NEP's common units, NEP's ability to issue equity or incur debt for acquisitions or other purposes and NEP's ability to make cash distributions to its unitholders; The liability of holders of NEP's units, which represent limited partnership interests in NEP, may not be limited if a court finds that unitholder action constitutes control of NEP's business; Unitholders may have liability to repay distributions that were wrongfully distributed to them; The issuance of securities convertible into, or settleable with, common units may affect the market price for NEP's common units, will dilute common unitholders' ownership in NEP and may decrease the amount of cash available for distribution for each common unit; NEP's future tax liability may be greater than expected if NEP does not generate net operating losses (NOLs) sufficient to offset taxable income or if tax authorities challenge certain of NEP's tax positions; NEP's ability to use NOLs to offset future income may be limited; NEP will not have complete control over NEP's tax decisions; Distributions to unitholders may be taxable as dividends; and, The coronavirus pandemic may have a material adverse impact on NEP's business, financial condition, liquidity, results of operations and ability to make cash distributions to its unitholders. NEP discusses these and other risks and uncertainties in its annual report on Form 10-K for the year ended December 31, 2020 and other Securities and Exchange Commission (SEC) filings, and this news release should be read in conjunction with such SEC filings made through the date of this news release. The forward-looking statements made in this news release are made only as of the date of this news release and NEP undertakes no obligation to update any forward-looking statements.

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