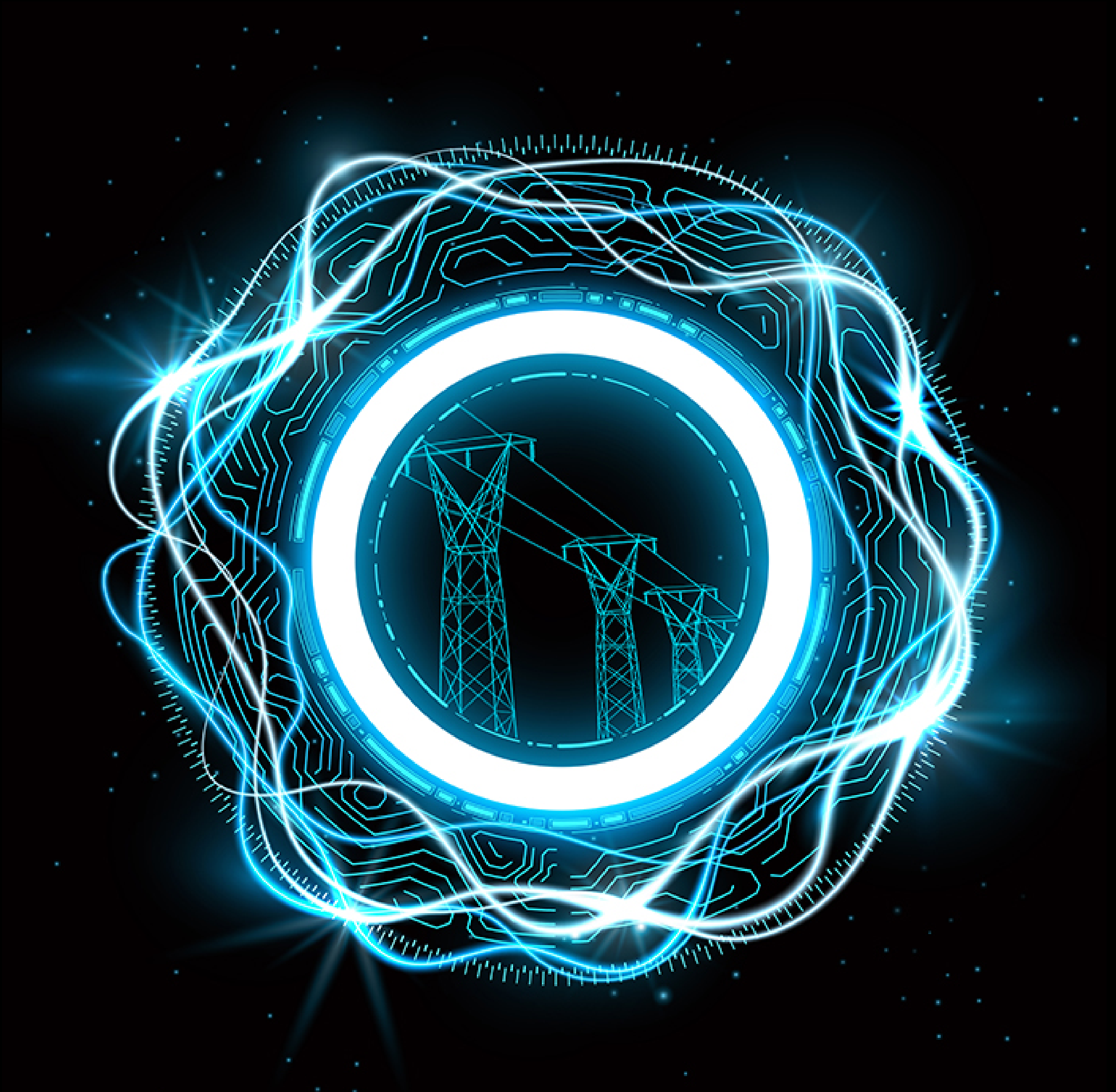

2021 Deloitte Power & Utilities Conference

Power to prevail

DECEMBER 2, 2021

Merger & acquisition trends

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Agenda

Polling question #1

Has your organization engaged in M&A activity in the last 12 months?

- A: A lot – seems like it is always going on!
- B: Some – we take them one at a time
- C: No, but I think we could in the future
- D: Nope – not our style
- E: Don’t know/not applicable

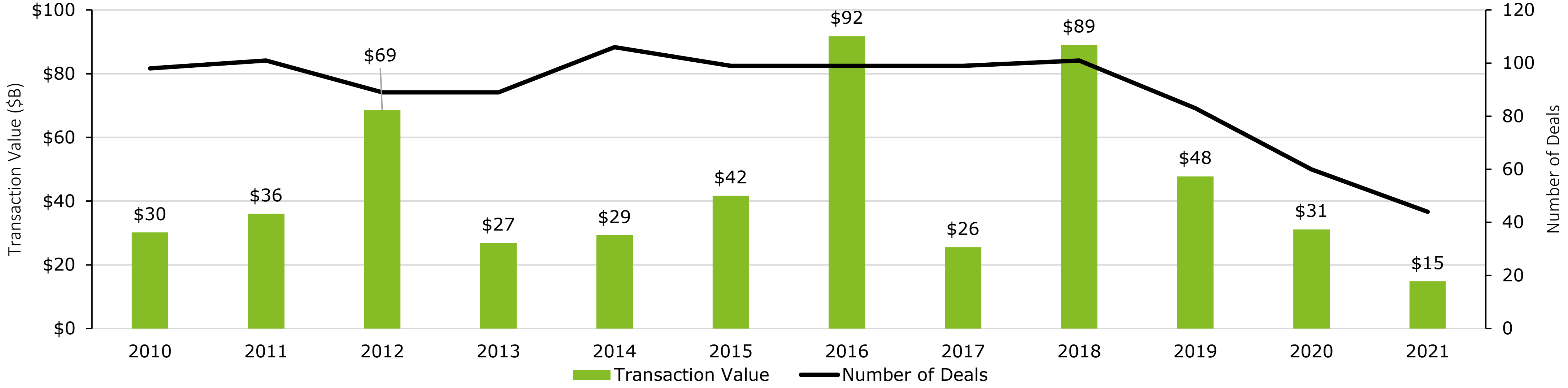
Transaction activity

What is happening?

Transactions—the headlines

- 2021 US PU&R deal activity is tracking to a similar level as 2020, but still lower than the prior two years
- Renewables deals dominate the market in volume
- Deal value has been relatively low as well with limited large deals like the years past.
- SPACS have entered the market and are sure to bring a new dynamic

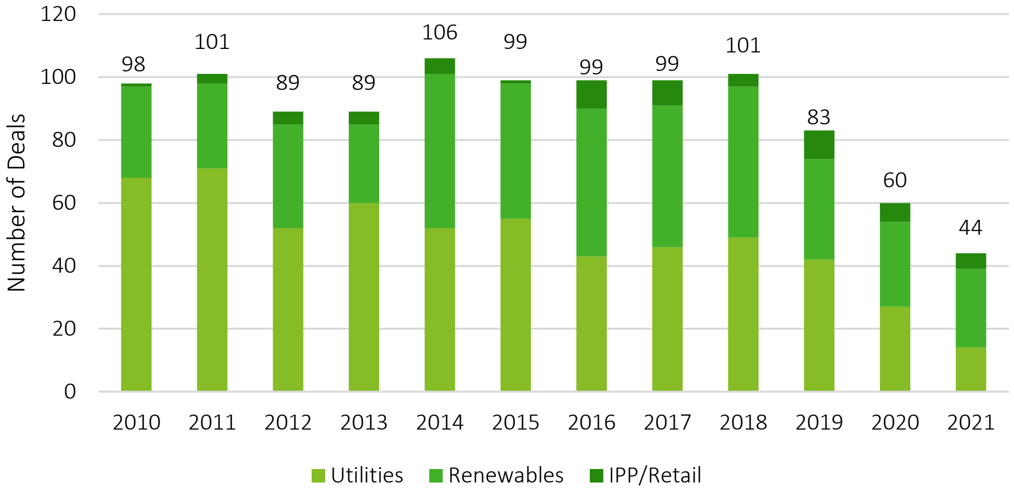
Aggregate US P&U Volume and Value (1)



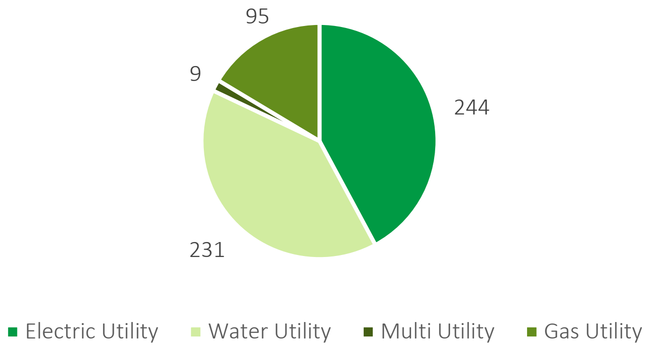
Footnotes:
(1) Data includes transactions in the US available on Capital IQ with public transaction data. Includes Electric Utilities, Gas Utilities, Multi Utilities, Water Utilities, IPPs and Retail, and Renewables.
YTD as of 9/30/2021.

Selected transaction statistics – deal volume

Aggregate Deal Volume (# of Transactions)(1)



Utility Deal Volume (2010-2021)



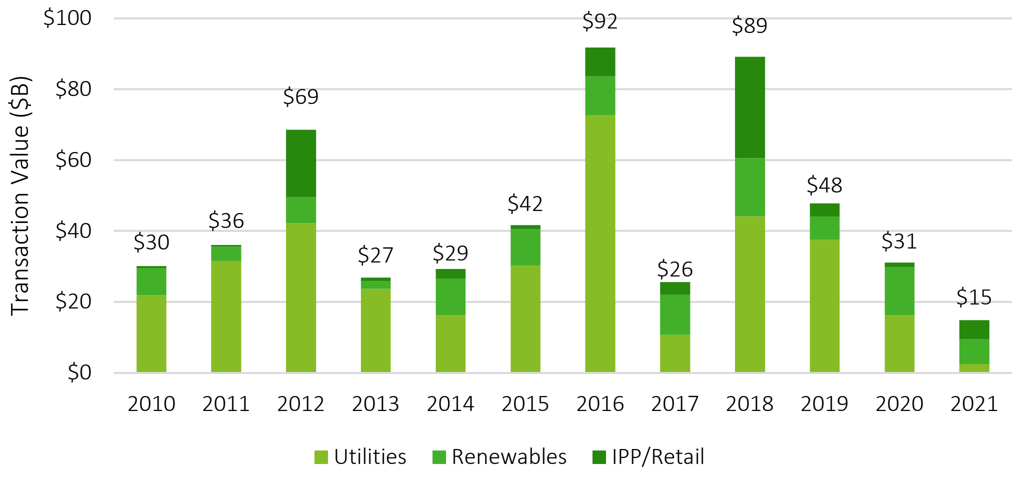
Observations

- The Renewables segment continues to capture a large share of closed deals. Twenty five of the 44 closed deals as of Q3 are renewables deals - portfolios of wind, solar, and solar + storage assets.
- At the onset of COVID-19 in the US, overall deal volume slowed. However, demand picked up toward the end of 2020 and seems to have remained steady since.
- Looking through history, most targets in M&A deals have been Electric and Water utilities. Since 2010, 42 percent of targets in the sector have been electric utilities, and 40 percent of targets have been Water Utilities.
- Notable announced deals that had not yet closed by end of Q3:
  - Innergex Renewable Energy Inc.'s $311.7M acquisition of Curtis Palmer, a 60 MW run-of-river hydroelectric portfolio
  - Liberty Utilities acquisition of Kentucky Power for $2.8B

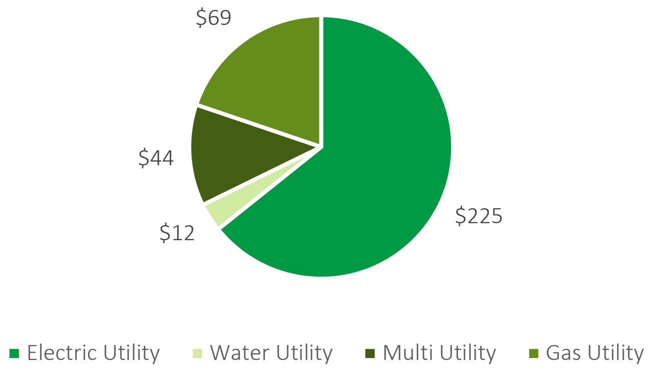
Footnotes:
(1) Data includes transactions in the US available on Capital IQ with public transaction data. Includes Electric Utilities, Gas Utilities, Multi Utilities, Water Utilities, IPPs and Retail, and Renewables.
YTD as of 9/30/2021.

Selected transaction statistics – Deal Value

Aggregate Deal Value ($B)(1)



Utility Aggregate Deal Value ($B) (2010-2021)



Observations

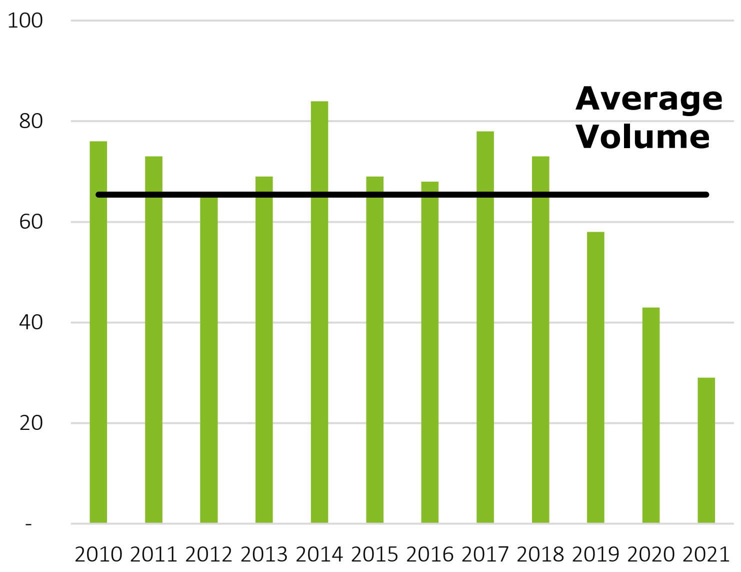
- With nearly 250 total transactions since 2010, Electric Utility deals lead in aggregate value overall. With six of the 10 largest deals are in the Electric Utilities category, total deal value is more than double that of the Renewables sector between 2010 and 2019. However, in 2020, Renewables captured took the lead in deal value and we are seeing the same in 2021.
- IPP Transaction value has been limited since the Calpine and Dynegy deals closed in 2018.
- From 2010-2018, Renewables' aggregate value increased 10% annually. While value declined in 2019, Renewables deal value more than doubled in 2020, and average deal value for Renewables in 2020 was at its highest point.
- Public Service Enterprise Group's (PSEG) sale of its 6,750-Megawatt Fossil Generating Portfolio for $1.9B had been announced as Q3 but will not close until late 2021 or early 2022.

Footnotes:
(1) Data includes transactions in the US available on Capital IQ with public transaction data. Includes Electric Utilities, Gas Utilities, Multi Utilities, Water Utilities, IPPs and Retail, and Renewables. YTD as of 9/30/2021.

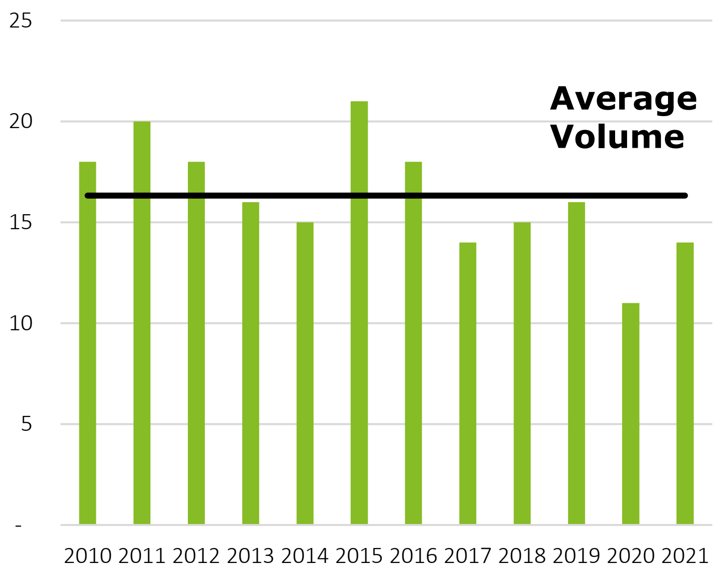
Selected transaction statistics – Deal Size

- Small deal volume (deals less than $250M) remained relatively consistent over the last several years before softening in 2019 and 2020, and even more so in 2021. Meanwhile, mid-size deal volume (deals less than $1B) increased in both 2018 and 2019 and is on track to return to this level by the end of 2021.
- Large deal volume (deals greater than $1B) has been sporadic since 2010. 2018 and 2019 were big years for large deals (13 and 9 deals closed in 2018 and 2019, respectively), including mega-deals such as Sempra's $18.8B purchase of Oncor. 2020 was relatively light for large deals, with only five total deals closing for over $1B. Deals of this size have continued to show a sharp decline as of Q3 2021, with NRG Energy's $3.3B deal being the only one over $1B.
- Since 2010, three of the four largest P&U deals have closed after the start of 2018.

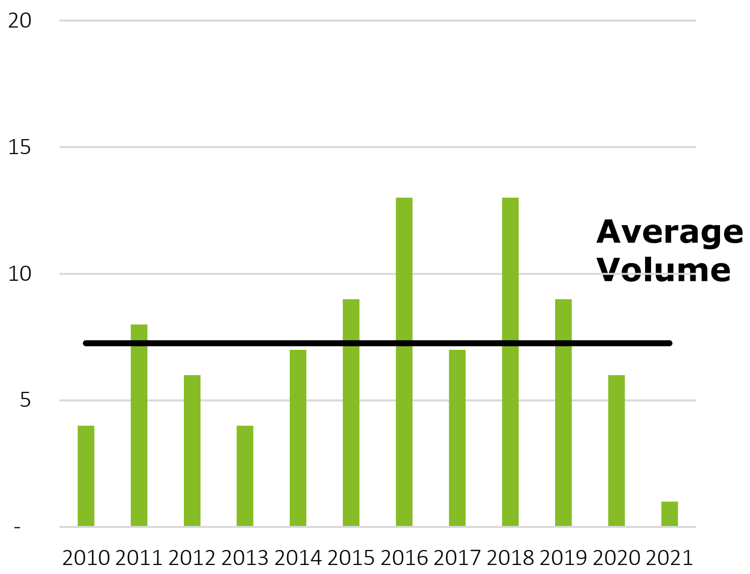
P&U Volume
Deals Less than $250M (1)



P&U Volume
Deals Between $250M and $1B (1)



P&U Volume
Deals Greater than $1B (1)



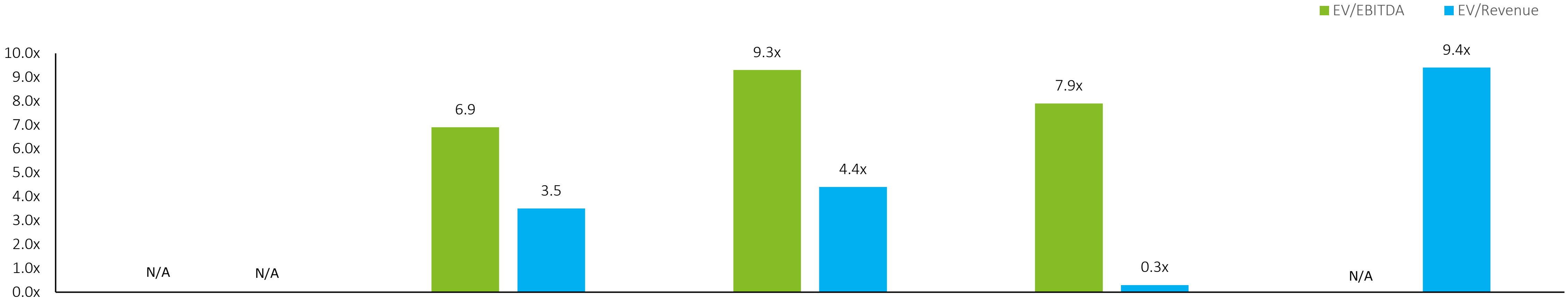
Footnotes:
(1) Data includes transactions in the US available on Capital IQ with public transaction data. Includes Electric Utilities, Gas Utilities, Multi Utilities, Water Utilities, IPPs and Retail, and Renewables.
YTD as of 9/30/2021.

Notable utilities transactions

Target	**Public Service Enterprise Group's 6,750-MW Fossil Generating Portfolio**	**DT Midstream, Inc.**	**Columbia Gas of Massachusetts**	**El Paso Electric Company**	**Emera Maine**
Acquiror	**ArcLight Capital**	**NA**	**Eversource Energy**	**J.P. Morgan Asset Management**	**Enmax**
Value ($ in MM)	Approx. $1,920.0	$3,723.9	$1,100.0	$4,332.6	$1,300.0
Announced Date	August 2021	October 2020	February 2020	June 2019	March 2019
Closed Date	NA	July 2021	October 2020	July 2020	March 2020
Target Description	PSEG Fossil comprises 13 generation units in New Jersey, Connecticut, Maryland and New York.	DTE Energy spun off its non-utility gas pipeline, storage and gathering business, known as DTE Midstream. DTE Midstream is now an independent, publicly traded company referred to as DT Midstream.	Columbia Gas currently serves 330,000 natural gas customers in more than 60 communities in Massachusetts.	El Paso Electric provides electric utility services to the Rio Grande valley in west Texas and southern New Mexico.	Emera Maine (now Versant Power) is a regulated electric utility, serving more than 159,000 customers throughout Maine.

Source: CapitalIQ

Notable renewables, retail and IPP transactions



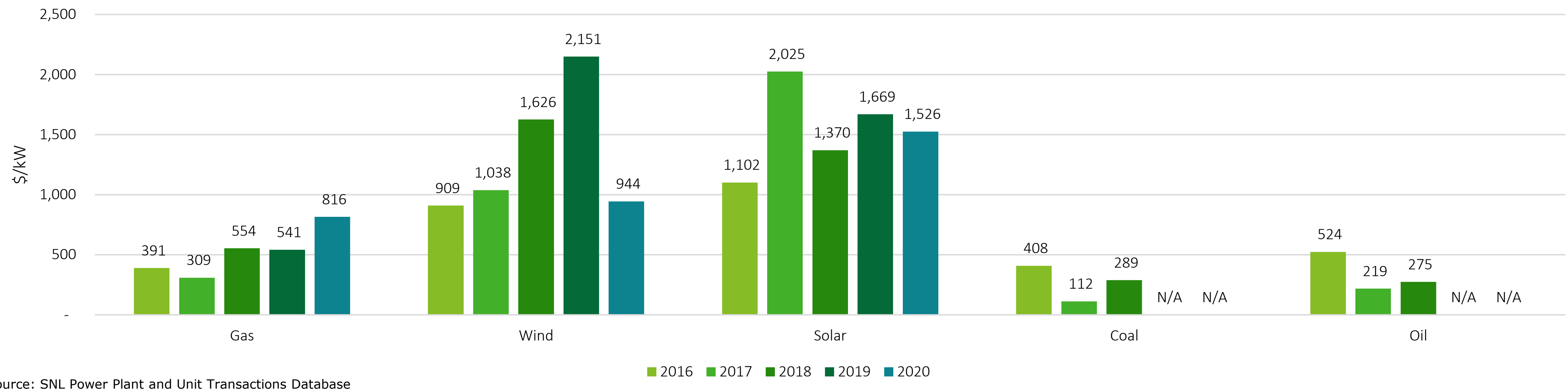
Target	**Aria Energy LLC**	**Atlantic Power Corporation**	**WGP Holdings II**	**Centrica Us Holdings, Inc./Direct Energy Marketing Limited**	**Vivint Solar**
Acquiror	**Archaea Energy Inc.**	**I Squared Capital Advisors**	**ContourGlobal**	**NRG Energy**	**Sunrun, Inc.**
Value ($ in MM)	$693.2	$994.5	$837.0	$3,625.0	$3,638.2
Announced Date	April 2021	January 2021	December 2020	July 2020	July 2020
Closed Date	September 2021	May 2021	February 2021	January 2021	October 2020
Target Description	SPAC Rice Acquisition Corp. will enter into a business combination with Archaea and Aria	Atlantic Power Corporation is an independent power producer owning 11 power generation assets in the US and Canada.	ContourGlobal acquired a 1.5GW portfolio of operating power plants in the US and Trinidad and Tobago through WGP Holdings.	Through NRG Energy's purchase of Direct Energy Home and Direct Energy Business, they will create one of North America's largest retail energy providers.	Vivint Solar provides distributed solar energy to residential customers in the United States. The company serves nearly 200,000 homes.

Source: CapitalIQ

Transaction pricing by fuel type

- Renewable energy transactions have consistently experienced the highest transaction multiples ($/kW) given strong and stable project economics, an attractive risk profile, and a high volume of capital seeking out contracted cash flows.
- Relative to traditional fuel types (gas, coal, and oil), solar and wind transactions have traded over 3.5x higher in terms of median $/kW.
- Even with continued reduction in construction costs for renewables, we expect multiples for renewables transactions to remain high given the favorable policy environment and demand for long-term contracted assets.
- Coal and oil assets continue to trade at the lowest multiple of fuel types.

US Power Plant Transactions Median $/kW by Fuel Type (2016–2020)



Source: SNL Power Plant and Unit Transactions Database
YTD as of 12/31/2020.

Notable Completed SPACs as of Q3 2021

Energy		Sustainability		
Completed - 4		Completed - 25		

Industry	Energy	Energy	Sustainability	Sustainability	Sustainability
Target	Archaea Energy, Aria Energy	Enovix Corp	Proterra Inc	Algoma Steel Group	Benson Hill Holdings
SPAC	Rice Acquisition	Rodgers Silicon Valley Acquisition (RSVA)	ArcLight Clean Transition Corp	Legato Merger Corp	Star Peak Corp II
Market Cap ($M)	$471.0	$4,424.2	$2,338.5	$1,312.4	$1,340.7
Announced Date	April 2021	February 2021	September 2020	January 2021	January 2021
Closed Date	September 2021	July 2021	June 2021	September 2021	September 2021
Target Description	Concurrent with the completion of the business combination, RAC has changed its name to Archaea Energy Inc.	Enovix supports blue chip customers in the global mobile computing market while also developing cells for Electric Vehicles (EVs).	Proterra is an EV battery provider with manufacturing facilities in California and South Carolina, as well as a R&D lab in Silicon Valley.	Based in Ontario, Canada, Algoma is a fully integrated producer of hot and cold rolled steel products including sheet and plate.	Benson Hill is a food technology company that develops food and ingredients that are more nutritious, better tasting, sustainable, and affordable.

Source: SpacTrack

Polling question #2

In which PU&R sector is your company most likely to make an acquisition?

- A - Regulated gas or electric utility
- B - Regulated water utility
- C - Conventional independent power (natural gas plants)
- D - Renewable energy
- E - Don’t know/not applicable

Transaction Execution

Diligence and Structuring

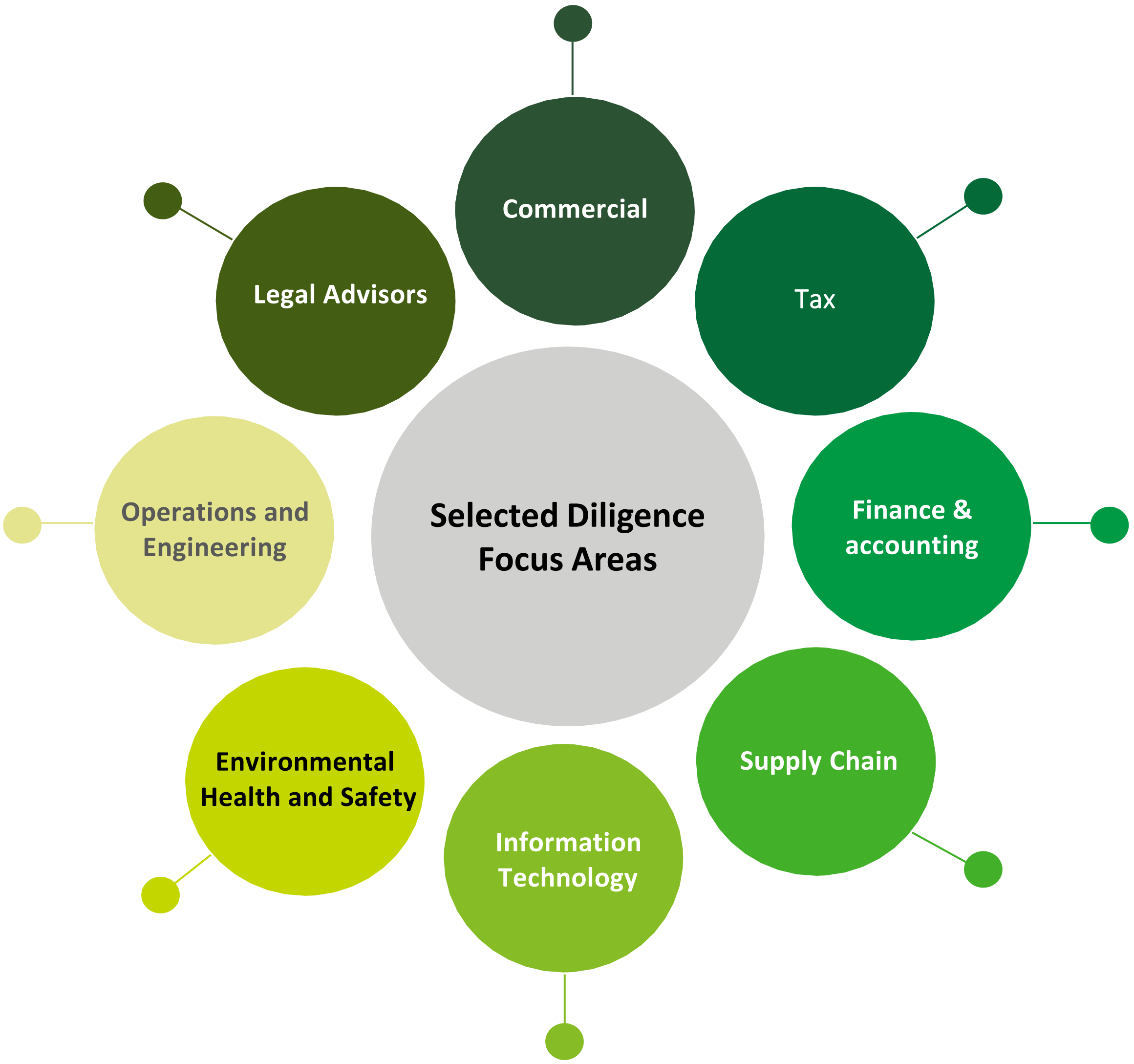
Transaction Due Diligence – Determining Scope

- Complexity of target
- Complexity of deal (e.g., joint venture, taxable vs. tax free, asset vs. stock, carve-out of a division)
- Whether the target is public or private
- Timing and deal stage
- Auction or exclusivity
- Early phase or is fully committed bid required
- Strategic transactions – materiality considerations
- Integration plans

M&A Transactions – Key Deal Players and Select Diligence Focus Areas

Key Players

- Sellers/owners, significant shareholders, etc.
- Company Management
- Investment Bankers
- Banks and Other Lenders/Financing Providers
- State and Federal Utility Regulators
- The SEC
- Other Investors and Shareholders
- Legal Advisors
- Accounting and Tax Advisors
- Strategy, Human Resources, IT, Other Advisors



Deep Dive - What is financial due diligence

Comprehensive financial due diligence focuses on:

Major Steps in Financial Due Diligence

Diligence Activities

Review background information and data room material	Attend management presentations and review audit work papers	Analyze historical quality of earnings on a normalized basis	Assess net working capital (NWC) needs of the business and existing debt-like items	Outline implications to the investment model Comment on the purchase agreement

Communications, Analyses, and **Deliverables**

<u>Key Focus Areas & Analyses</u>

- ✓ **Quality of Earnings** – Analyze the quality and composition of historical Earnings Before Interest, Taxes, Depreciation, and Amortization (EBITDA)
- ✓ **Quality of Assets and NWC –** Assess the operating net working capital needs to inform modeling, credit needs and closing mechanisms
- ✓ **Net Debt** – Net debt and identify the existence of unrecorded commitments, contingencies, and exposures
- ✓ **Financial Modeling** – Assess the consistency of information included in the financial model with historical information and diligence outputs
- ✓ **Synergies Diligence** – Diligence on assumptions can be effectively coordinated with the financial diligence team, particularly as it relates to cost synergies and the costs to achieve synergies.

Accounting focus areas

Selected complex accounting areas

- Rate making and regulatory considerations, including regulatory assets and liabilities
- HLBV accounting requirements under US GAAP vs the liability treatment under IFRS®
- Lease accounting (consideration of EITF 01-8 and FAS 13)
- Variable interest entities and consolidation considerations
- Accounting for purchase power/sale agreements
- Unbilled revenues
- IBNR reserves (medical, general liability, workers compensation)
- Pension and OPEB liabilities, exposures and impacts on EBITDA
- O&M agreements and ongoing operating expense levels
- Derivative transactions and hedge accounting treatment
- Emission credits and other carbon considerations
- Regional independent system operator rules, interconnection agreements, billing true-ups
- Depreciation policies and treatment of capital spares inventory

Other focus areas: Operations and valuation

Operations

- Asset condition, production capacity and utilization
- Investment – growth and maintenance capital expenditures
- Regulatory environment (including rate base considerations)
- Corporate functions and overheads
- Related party transactions/transfer pricing
- Collaterals and guarantees
- Insurance considerations
- Environmental exposures

Valuation

- Goodwill in the acquisition of a wind or solar plant
- Intangible assets (e.g., PPAs, leases, customer relationships) valuation and post closing earnings considerations
- Push Down Accounting
- Asset Acquisition or business combination

Financial modeling

Incorporating financial due diligence into a model

Diligence Area	Significance	Incorporating Analysis Into The Model
Quality of Earnings	▪ Significant normalization adjustments can directly affect price, IRR, financing, and other value considerations ▪ Occasionally used by other parties (e.g., lenders and co-investors)	▪ Work with the valuation/modelling team to ensure EBITDA adjustments are properly reflected in a model
NWC	▪ Understand free cash flow ▪ Help clients with the definition of closing NWC and determine target NWC	▪ Historical DSO, DIO, DPO, and NWC % of Revenue metrics may be used in a model in forecasted periods
Net Debt and Cash commitments	▪ Identify potential exposures and cash outflows that the acquirer (our client) should not suffer ▪ Items identified during this analysis can be the starting point for purchase price negotiations between the buyer and the target	▪ May or may not affect future free cash flow depending on negotiations
Other Considerations	▪ Financial reporting process and quality of existing reports, budgeting process, and controls ▪ Ability of management to accurately budget and forecast (historical vs. actual) ▪ Treatment of subsidiaries, joint ventures, & VIEs ▪ Internal control environment	▪ These areas speak to the quality of underlying information that feeds financial models

Polling question #3

What has been the biggest focus of your preacquisition diligence on prior acquisitions?

- A - Operations/status of assets
- B - Quality of earnings
- C - Tax structuring and exposures
- D - Human resources/benefits
- E - Information systems
- F - Don’t know/not applicable

Being a Prepared Buyer / Seller

Leading practices in integrations and divestitures

The importance of being a prepared buyer / seller

Industry participants rely on effective integration and separation planning to unlocking deal value

"Superior expects to generate significant run-rate synergies estimated at USD 20-25m within 24 months after closing of the transaction, primarily from cost savings and operational efficiencies."[1]

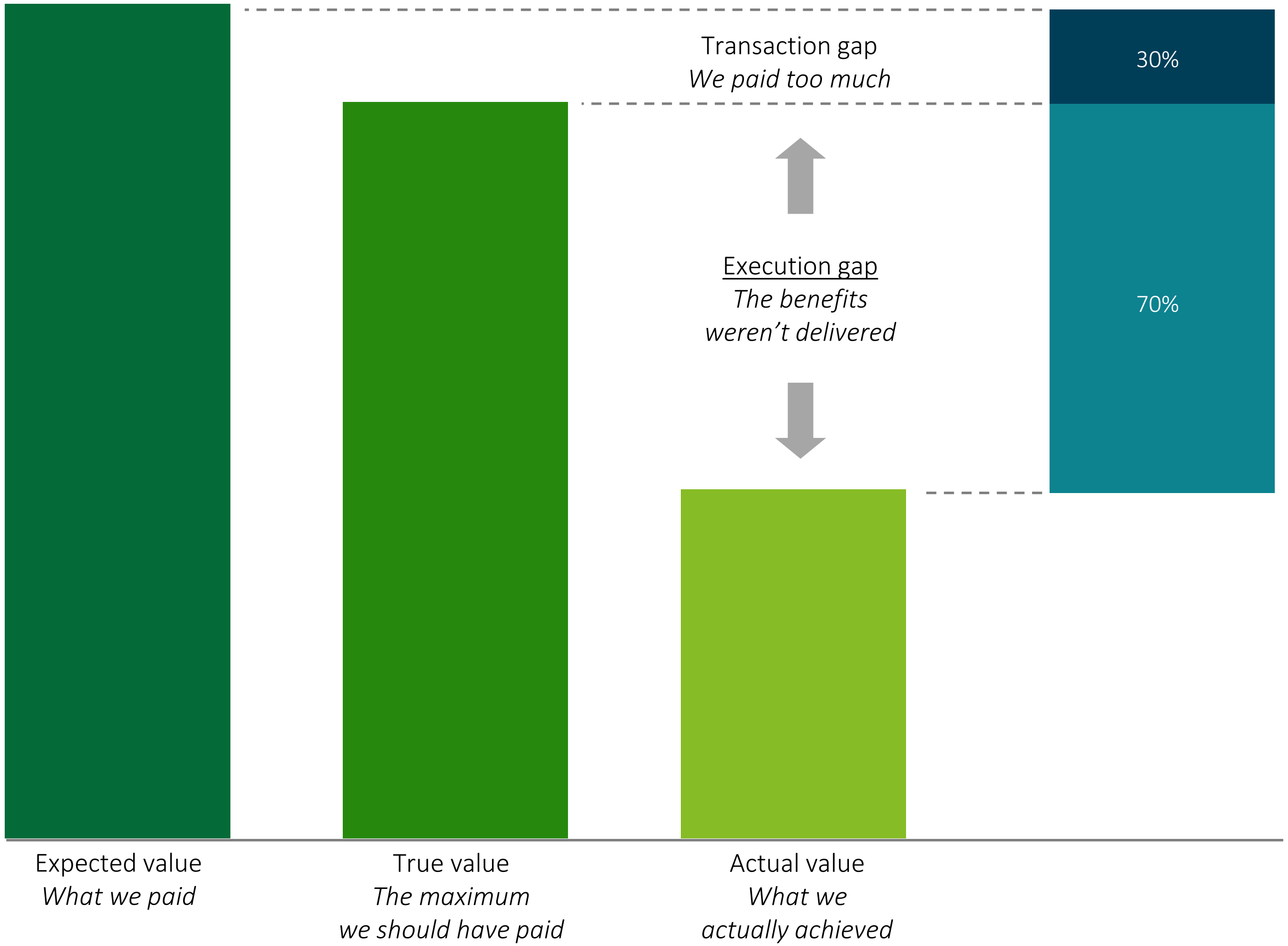
"Ambit business will contribute approximately USD 125m to adjusted EBITDA after the full run-rate of approximately USD 25m of anticipated annual synergies is achieved."[2]

"The combined company [Dynegy Inc. - Vistra Energy Corp.] is projected to benefit from USD 350m of annual EBITDA value levers, an additional USD 65m of annual FCF value levers, and USD 500m-600m of present value of tax synergies."[3]

1. Superior Plus Investor Presentation, "Superior Acquisition of NGL Propane." May 30, 2018.
2. PR Newswire, "Vistra Energy Announces Agreement to Acquire Ambit Energy, Enhancing Vistra's Position as the Leading Residential Retail Electric Provider in Texas," August 20, 2019.
3. Vistra Investor Relations Press Release, "Vistra Energy And Dynegy To Combine To Create Leading Integrated Power Company," October 30, 2017.

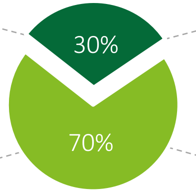
Capturing value through deal planning and execution

M&A deals are highly complex, requiring significant cross-functional preparation and planning; a majority of integration/ separation teams fall short of capturing potential value



Common transaction obstacles

- Minimal negotiation experience
- Mischaracterization of changes in the external environment
- Misunderstanding of integration/separation lead time in relation to transaction timeline
- Execution of close without cross-functional planning
- Incomplete due diligence process
- Management misunderstanding of transaction details



Common integration / separation challenges

- Synergies are not driven through quickly enough
- Inadequate planning
- De-centralized or lack of program leadership
- Lack of a formal and fast decision-making process
- Executive misalignment on deal rationale
- Too much time spent on organizational politics
- Loss of focus on everyday operations and customers

Leading practices for Power & Utilities M&A teams

Based on our experience, **effective** M&A programs are founded on three key principles

Principles of Successful Deals

1 Clarity of Purpose

- Confirm the **strategic and financial rationale** for the deal is clear to the team
- **Define the vision** and longer term integration goals for the combined business at Day 1
- Build the **"blueprint"** for the integration / separation **as early as possible**
- Confirm the **sources of value / benefit** and drive to achieve quickly
- Select **strong and energetic leaders** to sponsor and manage the program
- **Carefully select** the Integration / Separation Director

2 Program Control

- **Don't** let the program **divert attention from day-to-day business**
- **Allocate high quality resources** to lead each of the key program workstreams
- **Plan early** for Day 1
- Implement **robust planning and program management** processes to confirm transaction opportunities/benefits are rigorously tracked
- Use **practical planning tools**
- Identify and address risks / issues quickly and **make the tough decisions early**

3 Employee Engagement

- **Prepare the HR team early** and confirm it is fully skilled and resourced
- Define and implement the **top-level organization structure** ASAP
- **Remove uncertainty and ambiguity** by implementing the new organizational design as quickly as possible
- Identify and **recognize cultural differences** at an early stage and be clear on the new culture and values
- **Plan for change** at all levels
- Implement **best in class communications** and leverage the opportunity of Day 1 to **set out the vision** for the new business

Current trends in Power & Utilities deal planning and management

The regulatory environment and static nature of many power & utility companies create unique challenges for M&A teams

Key Trends	Impact / Planning Considerations
Organization	• The current talent market can make staffing of a new or combined organization challenging, as new hires will be **increasingly hard to attract**, and existing hires may be **more likely to change** companies
Governance	• Clear program governance, to include an executive committee, program management office, and workstream leadership is key to developing an **executable vision** and to **removing roadblocks to the deal**
Decision Frameworks	• PMO and executive leadership teams should confirm that their program includes defined permissions for **decision-making rights** and **clear paths for decision escalation**
Employee Values	• The **desire for purpose at work** is increasingly a factor in talent acquisition and retention and should be considered when determining if your proposed integration / separation **adds value to your organization**
Regulatory Timelines	• In addition to standard SEC and FTC timelines, P&U deals are **often required to receive approval** from FERC, local public safety commissions, and other regulatory bodies, **increasing the regulatory timeline**
Represented Employees	• Due diligence for any deal in the sector should include a **detailed review of the presence of represented employees**, and the impacts that **unions or ongoing negotiations** could have on an M&A deal or the **ability to implement change**

Polling question #4

What are some new themes impacting integration that you're seeing in your business?

- Open Text Response

The rise of ESG as a focal point in Power & Utility deals

Why a business exists, what it values, and its impact on its community and the environment at-large are increasingly areas of focus for M&A executives

Considerations	Implications
• **Diligence** – ESG disclosures are seen as a standard requirement as part of a diligence process and are used to assess company value	• **Diligence** – in order to be a prepared seller and drive a strong valuation, the appropriate ESG governance and policies need to be in place to support diligence
• **Value Creation** – a strong focus on ESG is being seen as a driver of significant long-term value	• **Value Creation** – ESG policies and practices are a defining factor in target selection due to the connection to sustainable long-term value creation; the presence of strong ESG practices also diminishes the risk of financing risk
• **Values** – the presence of ESG in a business is a useful metric to help assess company culture and fit for an acquisition	• **Values** – if there is a significant difference in ESG policies between companies, that could be an indicator as to whether synergies achievement could be hindered by cultural differences

Q&A

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