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MISSOURI PUBLIC SERVICE COMMISSION

CASE NO. EM-2019-0150

DIRECT TESTIMONY OF ANDREA HOFFMAN

SENIOR VICE PRESIDENT, INVENERGY LLC

ON BEHALF OF JOINT APPLICANTS

FEBRUARY 1, 2019

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1 **I. INTRODUCTION AND PURPOSE OF TESTIMONY**

2 **Q. Please state your name and business address.**

3 **A.** My name is Andrea Hoffman and I am the Senior Vice President, Financial Operations
4 for Invenergy LLC. My business address is One South Wacker Drive, Suite 1800,
5 Chicago, IL 60606.

6 **Q. Please explain the relationship of Invenergy LLC to Invenergy Transmission LLC.**

7 **A.** Invenergy LLC is an affiliate of Invenergy Transmission LLC (“Invenergy
8 Transmission”), the proposed purchaser of Grain Belt Express Clean Line LLC (“GBE”).
9 Invenergy LLC and Invenergy Transmission have a common parent company: Invenergy
10 Investment Company LLC (“Invenergy Investment”). Invenergy Transmission is a
11 special purpose entity that currently relies on the personnel of Invenergy LLC and the
12 financial resources of Invenergy Investment. I will refer to all three entities collectively
13 as “Invenergy” or “Company.”

14 **Q. Please discuss your educational background and work experience.**

15 **A.** I am responsible for managing Invenergy’s Accounting, Tax, Treasury, Financial
16 Planning, Risk, and International Financial Operations. I have over 25 years of
17 experience in finance and engineering in the energy, transportation, and petrochemicals
18 industries. I have a Bachelor of Science in Chemical Engineering from The University of
19 Iowa and an MBA in Finance from The University of Chicago. My C.V. is attached as
20 **Schedule AH-1.**

21 **Q. Have you previously testified before the regulatory commission of any state or the**
22 **Federal Energy Regulatory Commission?**

1 A. Yes. On November 12, 2018, I filed testimony in Case EA-2016-0358 (the “CCN
2 proceeding”) at the Missouri Public Service Commission (“Commission” or “PSC”), and
3 I testified before the PSC in the evidentiary hearing in that case on December 18, 2018.

4 **Q. What is the purpose of your testimony in this proceeding?**

5 A. I will provide an explanation of Invenenergy’s financial abilities to provide service in
6 connection with Invenenergy Transmission’s pending acquisition of GBE (the
7 “Transaction”). GBE is currently owned by Grain Belt Express Holding LLC (“GBE
8 Holding”), which is a wholly-owned subsidiary of Clean Line Energy Partners LLC.
9 GBE is developing the Grain Belt Express Clean Line Project (“GBE Project” or
10 “Project”), an approximately 780-mile, overhead, multi-terminal ± 600 kilovolt (“kV”)
11 high voltage direct current (“HVDC”) transmission line and associated facilities that will
12 connect over 4,000 megawatts (“MW”) of low-cost, wind-generated power in western
13 Kansas. First, I will provide an overview of Invenenergy’s extensive experience and
14 success in financing large energy projects. Second, I will provide a description of the
15 financial considerations particular to the GBE Project. The Direct Testimony of Kris
16 Zadlo, filed simultaneously herewith, describes Invenenergy’s managerial and technical
17 qualifications and discusses how the proposed Transaction satisfies the Missouri standard
18 for granting approval of a merger or acquisition.

19 **II. THE “NOT DETRIMENTAL TO THE PUBLIC INTEREST” STANDARD IN**
20 **MISSOURI**

21 **Q. Please explain how the Commission and its Staff evaluate a proposed merger or**
22 **acquisition.**

1 A. Although I am not an attorney, it is my understanding that the standard for granting
2 approval pursuant to Section 393.190.1 is that the merger or acquisition must be “not
3 detrimental to the public interest.” It is Joint Applicants’ position that many of the
4 traditional regulatory concerns pertaining to potential merger detriments, *e.g.*, rate
5 increases, service quality issues, market power, involuntary reduction in workforce, are
6 not present in this case. This is so because Grain Belt Express will offer transmission
7 service to load-serving entities and other wholesale transmission customers through an
8 open-access transmission tariff that will be filed with and subject to the jurisdiction of the
9 Federal Energy Regulatory Commission (“FERC”) pursuant to the Federal Power Act.
10 As such, GBE will not have any retail customers in Missouri and will not be rate-
11 regulated by the PSC.

12 **Q. What other factors demonstrate that the proposed Transaction is not detrimental to**
13 **the public interest?**

14 A. The Transaction benefits the public interest because it will expedite and promote the
15 continued development of the Grain Belt Express Project, which will deliver low-cost
16 wind energy to Missouri wholesale customers, who will, in turn provide that lower-cost
17 energy to their retail customers. Further, the multitude of benefits accruing as a result of
18 the Project were the subject of extensive testimony in the CCN proceeding, including the
19 creation of an estimated 1,500 jobs during the three to four years of construction; a
20 continuing source of property tax revenues to the political subdivisions where the
21 facilities are located; and additional access to high-capacity-factor Kansas wind resources
22 to fulfill the growing demand for renewable energy in Missouri, among others. Kris
23 Zadlo discusses the benefits of the Project in greater detail in his testimony.

1 **Q. How does the financial capability of Invenergy impact the analysis of whether the**
2 **Transaction is not detrimental to the public interest?**

3 **A.** The Transaction brings the above stated benefits closer to reality by providing GBE with
4 the enhanced financial capabilities of Invenergy.

5 **III. OVERVIEW OF INVENERGY'S FINANCIAL CAPABILITY**

6 **Q. Who is Invenergy?**

7 **A.** The Invenergy family of companies is headquartered in Chicago, Illinois. It was founded
8 in 2001 and is North America's largest privately held company that develops, owns, and
9 operates large-scale renewable and other clean energy generation, energy storage
10 facilities, and electric transmission facilities across North America, Latin America, Japan
11 and Europe. A more complete overview of Invenergy is provided in the Direct Testimony
12 of Kris Zadlo.

13 **Q. What is the financial profile of Invenergy?**

14 **A.** Invenergy is a privately-held company and does not publicly release financial statements.
15 As discussed below, Invenergy and its affiliates have in excess of \$9 billion in total assets
16 and \$3 billion in total equity on a consolidated basis (as of December 31, 2017). In
17 addition, as discussed below, Invenergy has raised more than \$30 billion to support more
18 than 20,220 MW of generation project development since 2001. Invenergy maintains
19 strong relationships with a variety of investment partners and has been awarded Project
20 Finance Borrower of the Year by Power Finance & Risk on multiple occasions. As the
21 Staff of the Commission recently noted, Invenergy's cash balance as of December 1,
22 2017 was approximately six times greater than Clean Line's cash balance as of the same
23 date. Further, the book value of Invenergy's member's equity was more than twenty

1 times greater than Clean Line's equity. Staff therefore concluded that Invenenergy's
2 financial resources are stronger than Clean Line's.¹

3 **Q. Please provide an overview of Invenenergy's project financing experience.**

4 **A.** Invenenergy is highly experienced in raising corporate and project level financing in
5 support of developing, constructing and operating its energy projects. Over the last 17
6 years, Invenenergy has raised more than \$30 billion of financing in connection with the
7 successful development of more than 20,220 MW in projects in the United States,
8 Canada, Europe, Latin America, and Japan. Invenenergy maintains strong relationships
9 with more than 60 financial institutions worldwide, including international and domestic
10 banks, multilateral development banks, export credit agencies and pension funds. In the
11 U.S. alone, Invenenergy has financed and executed on projects in 23 states, including over
12 392 miles of high-voltage transmission lines, over 1,748 miles of distribution lines, 59
13 substations and 73 generator step-up transformers. Invenenergy's financing relationships
14 include such institutions as Wells Fargo, Mitisubishi Financial Group, CoBank, GE
15 Capital, JP Morgan, Santander, Morgan Stanley, Natixis, Bank of America, and
16 Rabobank. To further illustrate Invenenergy's financial capability, the Company was able
17 to raise over \$6 billion in debt and equity financings in 2016 and 2017 spanning across
18 technologies and geographies.

19 Invenenergy's financing capabilities have been recognized by many within the
20 industry. Invenenergy was awarded the Structured Power Finance 2005 Deal of the Year
21 for its financing of Invenenergy Wind Finance Company, a portfolio of 260 MW of wind
22 facilities; the North America Public Power 2007 Deal of the year for its financing of the

¹ Case No. EA-2016-0358, Ex. 208, p. 7 (Revised Staff Supplemental Report).

1 St. Clair 584 MW combined cycle natural-gas fired facility in Ontario, Canada; and
2 Power, Finance and Risk magazine's 2012, 2013, and 2016 Project Finance Borrower of
3 the Year for the breadth, diversity and volume of deals brought to market and
4 successfully financed by Invenergy.

5 **Q. How does Invenergy typically finance large scale energy projects?**

6 **A.** Invenergy continually maintains an active dialogue with key providers of debt and equity
7 in order to keep them informed regarding our projects and to generate interest. During
8 the late stages of project development, Invenergy typically approaches target lenders to
9 seek proposals for construction financing. The construction loan combined with
10 Invenergy's equity, and potentially equity from additional investors, will provide
11 sufficient capital for the entire construction costs of the project. Construction financing
12 for a project is typically structured so that the security and collateral package held by the
13 financing parties consists of a pledge of the equity in the project company, a pledge of all
14 project assets, and collateral assignments of certain material project agreements. On or
15 shortly after the commercial operation date, the construction financing is replaced by
16 more permanent financing, such as a senior secured term loan. The security and
17 collateral package during the term loan period depends on the type of permanent
18 financing that is put in place.

19 **IV. FINANCIAL CONSIDERATIONS PARTICULAR TO THE GBE PROJECT**

20 **Q. Please describe Invenergy's plan to finance the purchase of GBE.**

21 **A.** Invenergy Transmission plans to purchase GBE using cash available from its parent,
22 Invenergy Investment.

1 **Q. Please describe Invenergy's plan to fund the development and construction of the**
2 **GBE Project.**

3 **A.** Consistent with its prior experience, Invenergy plans to use a combination of debt and
4 equity to finance the Project. Specifically, Invenergy expects to engage a lender or group
5 of lenders approximately six to nine months prior to commencement of construction to
6 provide a construction loan for the Project. The construction loan and equity capital
7 provided by Invenergy, and potentially other investors, is expected to be sufficient for the
8 entire construction cost of the Project.

9 **Q. Please describe how transmission service will be sold from the Project and how it**
10 **will support the financing of the Project.**

11 **A.** In addition to obtaining regulatory commission approvals and other permits, key project
12 agreements, and construction contracts, it is necessary for Invenergy to enter into long-
13 term transmission service or capacity contracts with its transmission customers prior to
14 securing financial commitments for the Project. GBE's transmission services agreement
15 with the Missouri Joint Municipal Electric Utility Commission is an example of such a
16 contract. The required percentage of contracted capacity will depend on the price,
17 counterparty creditworthiness, contract term, and other commercial terms within the
18 transmission contracts. As stated previously, Invenergy will provide equity capital and
19 plans to obtain a construction loan, and potentially equity from additional investors, to
20 finance the development and construction activities in order to reach commercial
21 operation of the Project. Following achievement of commercial operations, the more
22 permanent financing, such as term debt and equity financing, will rely on the contracted

1 cash flow from the Project for repayment, and the debt will also be secured by the
2 Project's assets and contracts.

3 **Q. Is it your opinion that Invenergy has the financial ability to provide the proposed**
4 **service offered by the GBE Project?**

5 **A.** Yes. Invenergy has the financial ability to provide the proposed service. As described
6 earlier in my testimony, Invenergy has a strong financial profile and a proven track record
7 of successfully financing large energy projects.

8 **Q. Does that conclude your testimony?**

9 **A.** Yes.

