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Issues: **Financial Capabilities**

Witness: **Andrea Hoffman**

Type: **Direct Testimony**

Sponsoring Party: **Invenergy Transmission LLC**

Case No. **EM-2019-0150**

Date Testimony Prepared: **February 1, 2019**

**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**

Exhibit No.     2      
Date 4-23-19 Reporter TUT  
File No. EM-2019-0150

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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 Invenergy’s financial abilities to provide service in  
6 connection with Invenergy 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 Invenergy’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 Invenergy’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 Invenergy's  
2 financial resources are stronger than Clean Line's.<sup>1</sup>

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

4 **A.** Invenergy 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, Invenergy 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. Invenergy 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, Invenergy 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. Invenergy'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 Invenergy'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 Invenergy's financing capabilities have been recognized by many within the  
20 industry. Invenergy was awarded the Structured Power Finance 2005 Deal of the Year  
21 for its financing of Invenergy 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

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<sup>1</sup> 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.

BEFORE THE PUBLIC SERVICE COMMISSION  
OF THE STATE OF MISSOURI

In the Matter of the Joint Application of )  
 Invenergy Transmission LLC, Invenergy )  
 Investment Company LLC, Grain Belt )  
 Express Clean Line LLC and Grain Belt )  
 Express Holding LLC for an Order )  
 Approving the Acquisition by Invenergy )  
 Transmission LLC of Grain Belt Express )  
 Clean Line LLC )

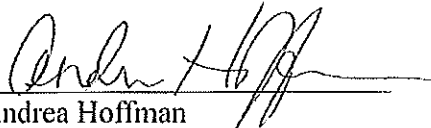
Case No. EM-2019-0150

AFFIDAVIT OF ANDREA HOFFMAN

STATE OF Illinois )  
   ) ss  
 COUNTY OF Cook )

Andrea Hoffman, being first duly sworn upon his oath, states:

1. My name is Andrea Hoffman. I am Senior Vice President, Financial Operations for Invenergy LLC.
2. Attached hereto and made a part hereof for all purposes is my Direct Testimony on behalf of Joint Applicants, having been prepared in written form for introduction into evidence in this proceeding.
3. I have knowledge of the matters set forth herein. I hereby swear and affirm that my answers contained in the attached testimony to the questions therein propounded, including any attachments thereto, are true and accurate to the best of my knowledge, information and belief.

  
 Andrea Hoffman

Subscribed and sworn before me this 31<sup>st</sup> day of January, 2019.

Erika Arias  
 Notary Public



## ANDREA L. HOFFMAN

1 South Wacker, Suite 1800, Chicago, IL 60606

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### EXECUTIVE SUMMARY

Performance focused leader with proven track record in project finance, equity, and lease transactions in the energy, aircraft, water, and oil & gas industries. Strong relationships with financing parties and cross-functional teams throughout transaction life, including construction, operations, refinancing, and sale. Key competencies:

- Project Finance
  - Valuations
  - Equity Purchase/Sale
  - Power/Renewables Industry
  - Debt/Equity Management
  - Asset Management
  - Term Conversions
  - Refinancing
  - Project Management
- 

### PROFESSIONAL EXPERIENCE

#### INVENERGY LLC. CHICAGO, IL

##### **Senior Vice President – Financial Operations.**

**September 2018 to Present**

Manage a team of over 65 professionals covering Accounting, Tax, Treasury, Financial Planning, Risk, and International Financial Operations. Activities are primarily directed to support the management of the over 20,000 MW of clean energy assets in operation, construction, and development in North America, South America, Europe, and Asia. Member of Management Committee, Risk Committee, Operating Committee, and participate in Investment Committee. Officer of 345 limited liability companies.

##### **Vice President / Director – Portfolio Finance.**

**September 2008 to August 2018**

Managed an \$11B portfolio of project and corporate financings for commercial power projects employing wind, thermal, solar, and battery storage technology. Portfolio includes 68 projects (9,600 MW) in operation or construction with financings from over 50 financial institutions. Deals vary by offtake arrangement (PPA, hedge, merchant), capital structure, and location (ERCOT, PJM, SPP, MISO, NYISO, IESO). Accomplishments include:

- Developed Portfolio Finance team of 11 professionals as portfolio capacity (MW) tripled over 10 years.
  - Officer of over 100 limited liability companies with wire approval and signing authority.
- Term converted, tax/cash equity funded, or transferred over \$7.0B in approx. 35 project financings.
  - Led cross-functional teams through construction borrowings and ECCA and LLCA obligations.
  - Managed partnership flip, credit facility repayment, DSCRs, distributions, and covenant compliance.
  - Negotiated Co-Tenancy Agreements and wake payments for 10 (500MW) expansion projects.
- Completed \$2.3B (1,250MW) wind/solar build-transfers to Southern, Duke, Berkshire, NextEra, NRG.
  - Completed CPs to transfer and construction loan repayment following substantial completion.
- Closed \$762MM in wind and thermal refinancings, providing approx. \$112MM in excess proceeds.
  - Negotiated debt sizings, term sheets, financing documents, swaps, and due diligence requirements.
- Closed \$124MM in tax equity buy-outs on 5 transactions involving 7 wind farms totaling 910MW.
  - Performed valuations and negotiated purchase agreement and assignment documents.
- Led lender/tax equity consents for sale to TerraForm of \$1B (914MW) portfolio of 5 wind projects.
  - Negotiated transaction documents and \$348MM in loan prepayments and swap terminations.

#### GE – ENERGY FINANCIAL SERVICES (EFS). STAMFORD, CT

##### **Vice President – Portfolio Management.**

**June 2006 to August 2008**

Managed \$500MM portfolio of debt, equity, and lease transactions in the energy, water, and oil & gas industries, including 7 transactions in North and South America. Accomplishments include:

- Managed equity interest in \$20MM wastewater treatment facility in US, utilizing GE Zenon membranes.
- Managed \$130MM equity interest in gas processing facility in Trinidad. Alternate director on board.

- Managed \$240MM in lease equity and debt in combined cycle power plants in the US and Mexico.
- Managed transfer of \$200MM in lease equity on exploration & production equipment in Mexico.
- Managed equity interest in \$300MM drilling rig in Brazil. Worked with managing member and operator to ensure compliance with \$235MM debt obligation. Monitored rig performance and deal economics.

**GE – AVIATION SERVICES (GECAS). SHANNON, IRELAND AND STAMFORD, CT**

**Vice President / Assistant Vice President – Risk Management.**

**February 2003 to May 2006**

Managed 31 airline accounts involving 110 aircraft across Europe, the Middle East, Africa, and North America with exposures exceeding \$3B. Risk lead in aircraft lease underwriting, account management, and restructuring activities. Responsible for airline credit analysis and KYC review as well as risk analysis of jurisdiction, deal structure, and deal execution. Accomplishments include:

- Led underwriting and account management of 83 aircraft operating leases involving 38 airlines (including 5 aircraft to the former Nigerian start-up Virgin Nigeria). Exposure exceeded \$1.3B.
- Supported Regional Risk Manager on \$3.6B in new aircraft operating leases with Emirates Airlines (14) Boeing 777s and Qatar Airways (2) Airbus 330s.
- Supported acquisition of the Finova leveraged lease portfolio (33 aircraft with \$515MM exposure).
- Managed contracts and funding for the purchase of 34 Airbus 319/320s, Boeing 737s, and CRJ aircraft.
- Risk lead in the acquisition integration of 89 aircraft leases, loans, and JVs from Heller portfolio.
- Co-led work-out and repossession of 6 aircraft and a spare engine from Volare Airlines of Italy (\$11MM delinquency). Led restructuring analysis of \$20MM settlement (received over \$15MM prior to default).
- Pitched credit rating comparison (SURE vs. KMV) to over 200 of GE's Chief Risk Managers.

**ADDITIONAL EXPERIENCE**

- GE Risk Management Leadership Program (GECAS, Structured Finance). Stamford, CT. 1999 to 2003
  - GE Certified Six Sigma Black Belt.
- BP/Amoco Pipeline Company – Financial Analyst and Project Coordinator. Chicago, IL. 1995 to 1997
  - Performed financial analysis for joint ventures and acquisitions necessary to develop new business for the 15,000-mile domestic crude oil, natural gas, and products pipeline system.
- BP/Amoco Chemical Company – Project Engineer. Chicago, IL. 1990 to 1995
  - Managed projects to improve and/or expand the purified terephthalic acid, paraxylene, poly alpha-olefins and fine acid facilities. Constructed 5 projects located in 3 states.

**EDUCATION AND TRAINING**

- MBA Finance and Marketing. The University of Chicago Booth School of Business. March 1995
  - MBA Enterprise Corps (Bulgarian American Enterprise Fund–Investment Advisor). Sofia, Bulgaria.
- BS Chemical Engineering. The University of Iowa. May 1990

**ADDITIONAL INFORMATION**

- Member of Women of Renewable Industries and Sustainable Energy, Society of Women Engineers, and Chicago Booth Alumni Network.
- Founding member of Invenergy's Women's Network since 2015.
- Traveled extensively in Europe, North and South America, Middle East, Africa, Australia, and SE Asia.
- Enjoy downhill skiing, hiking, and scuba diving.