

Opportunistically acquiring regulated natural gas assets to power community resilience

Natural gas is a versatile and affordable energy source, supplying about 36 percent of all energy consumed in the United States – from fueling cooking and heating appliances to electric generation, industrial manufacturing and agriculture – according to the U.S. Energy Information Administration. Natural gas is also more affordable and reliable than electricity, playing an important role in community resilience as a durable energy source for areas prone to natural disasters and extreme weather.

Now more than ever, global trends surrounding the energy transition highlight the need for natural gas to support climate resilience, while also creating a unique opportunity in the utility market to invest in this important energy asset.

The push to invest in electric power driven by the energy transition is pressuring consolidated utility companies to fund initiatives to strengthen the electric grid and invest in renewable generation. In response to this pressure and need to shore up balance sheets, utilities are funding these priorities by strategically divesting disconnected asset groups, often outside of their core contiguous geography. This has led to a number of investor-owned utilities selling their natural gas assets during the past year, presenting rare utility investment opportunities.

Investor-owned utilities divesting natural gas assets are able to raise capital to harden the electric grid, which will support mass electrification to power artificial intelligence (AI), data centers, digital infrastructure, electric vehicles and more. Meanwhile, investment firms have the unique opportunity to purchase natural gas assets with a focus on growing and enhancing this critical energy source, ultimately supporting community sustainability nationwide.

The BCP blueprint

Among the leading contenders capitalizing on this trend is Bernhard Capital Partners (BCP), an infrastructure and services-focused private equity firm. With 35 years of operational and regulatory experience in utility infrastructure, BCP is uniquely positioned to invest in regulated utility assets.

The firm views the divestiture of natural gas assets as an unprecedented opportunity to invest in efforts that support the energy transition and build more resilient communities, while providing investors with safe, value-added returns on their investments.

Natural gas local distribution companies (LDCs) are attractive, long-lived assets with franchised territories that limit competition. According to S&P Global, they include regulated rate bases designed to cover a 9 percent to 10 percent return on equity, interest coverage on debt, and construction costs to modernize assets and meet strict safety, operating and environmental requirements. All commodities, including the gas itself, are a pass-through to customers.

During the past year, BCP has been a leader in the market in natural gas investments, having announced more than \$3 billion in agreements to acquire three large-scale natural gas LDCs serving communities across the Gulf Coast and New Mexico. With these investments, BCP will focus on strengthening these utilities, which, in turn, will strengthen some of the country's most critical infrastructure.

“Our team could not be in a better position to take advantage of the divestiture of regulated utility assets in the market, which directly aligns with our approach of investing in infrastructure that is critical to building resilient communities,” says Jeff Jenkins, founder and partner at BCP. “We have decades of operational and regulatory experience in this space and believe our reputation in the market has helped us land remarkable deals with major utility providers.”

Entergy LDC acquisitions

In October 2023, BCP announced an agreement to purchase Entergy's Louisiana natural gas distribution operations in New Orleans and Baton Rouge with a transaction value of \$484 million. This agreement laid the foundation for BCP's first natural gas portfolio investment.

CenterPoint LDC acquisitions

In February 2024, BCP announced an agreement to acquire CenterPoint Energy's Louisiana and Mississippi natural gas operations with a transaction value of \$1.2 billion.

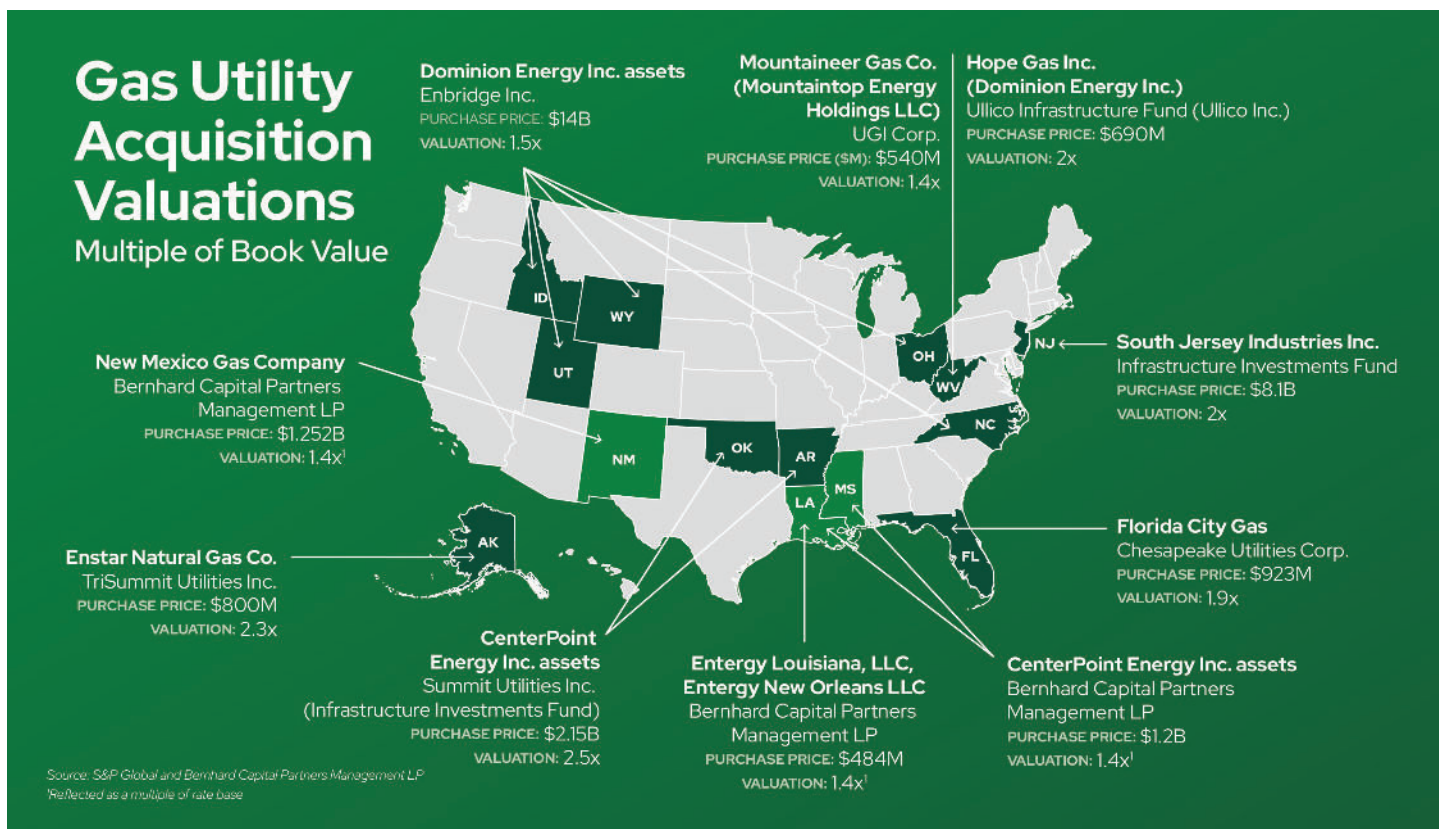
Delta Utilities

BCP established Delta Utilities as the umbrella for the Entergy and CenterPoint portfolios, with the vision of creating a scaled and core-focused natural gas utility that provides safe, dependable natural gas to the communities it serves. With the Entergy and CenterPoint acquisitions totaling \$1.7 billion, Delta Utilities is on track to be among the top 40 natural gas providers in the United States, serving approximately 600,000 customers. Headquartered in New Orleans, Delta Utilities will be home to approximately 700 employees and create approximately 200 new jobs.

With a gas-centric focus, Delta Utilities can ensure its systems and operations are tailored to meet the needs of gas customers and bolster community resilience – especially in Louisiana and Mississippi, where natural disasters are common.

BCP believes it was the buyer-of-choice for these deals, based on its experience in the utility infrastructure market and demonstrated commitment to enhanced performance and reliability.

“We are pleased to partner with Bernhard Capital, who shares our values around employee engagement, safety and reliability performance, quality customer service, and local community investment,” said Drew Marsh, chairman and chief executive officer of Entergy, when the Entergy agreement was announced.



New Mexico Gas Co. acquisition

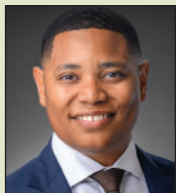
In August 2024, BCP announced an agreement to purchase New Mexico Gas Co. (NMGC) from Emera at a value of \$1.252 billion. NMGC is the largest natural gas utility in the state, serving more than 540,000 customers and safely managing more than 12,000 miles of pipelines. Once approved, this transaction will continue employment for more than 700 employees and create 60 to 70 new jobs.

While NMGC will operate as a standalone entity independent of Delta Utilities, it further reinforces BCP's thesis of investing in critical infrastructure assets to build stronger, more resilient communities. For New Mexico, natural gas is the most affordable energy option. It is expected to continue to be the state's top energy source for heating, as 63 percent of homes use natural gas as their primary heating fuel, compared with the U.S. average of 46 percent, per the U.S. Energy Information Administration.

Powering and investing in the future

The importance of natural gas cannot be overstated, as its reliability and adaptability make it an indispensable component of our energy landscape – both now and for the foreseeable future. BCP is carrying out its blueprint approach with investments in natural gas LDCs to empower local communities with dependable energy services and contribute to the sustainability of the regions it serves. By focusing on long-term growth and community resiliency, we believe BCP is well positioned to play a significant role in shaping the future of natural gas utilities in the United States.

"We see investments in these utilities as an opportunity to enhance energy assets and create a cleaner, more sustainable future for all communities we serve," says Jeff Baudier, senior managing director at BCP. "We are confident we will continue to be a partner-of-choice for regulated utilities, and we are poised for more growth in this space."



CONTRIBUTOR

Julius Bedford

Managing Director

Bernhard Capital Partners

Julius Bedford is a managing director at Bernhard Capital Partners and is involved in all aspects of the firm's infrastructure investment activities. He brings more than a decade of extensive transaction and advisory experience.

ABOUT BCP

Bernhard Capital Partners (BCP) is a services and infrastructure-focused private equity management firm established in 2013. BCP has deployed capital in four funds across several strategies and has more than \$4 billion of assets under management. BCP seeks to create sustainable value by leveraging its experience in acquiring, operating, and growing services and infrastructure businesses. For more information, visit www.BernhardCapital.com.



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