BCP

Bernhard Capital Partners

Amid historic surge in power demand, regulated utilities turn to proven partners

The U.S. power sector is grappling with decades of underinvestment, while advances in artificial intelligence, data centers, and manufacturing have rapidly increased demand for power. Given the unprecedented need for capital investments to meet the demand, experts predict large investor-owned utilities need up to $70 billion of new equity to invest in this growth.

As a result, integrated investor-owned utilities across the U.S. have begun assessing their portfolios, pursuing opportunities to unlock capital for their most urgent priorities. A prevailing strategy emerged: selling non-core assets to capable partners equipped to gain regulatory approval, own, and operate them.

This presented a compelling opportunity for potential investors. Regulated utilities are prized assets, delivering essential services, predictable cash flow, and regulated returns that are inflation-protected and largely recession-proof – making them among the most durable investments in any market.

Since 2021, this trend has gained momentum as integrated investor-owned utilities – such as Dominion Energy, Entergy, Duke Energy and others – began announcing agreements to divest regulated natural gas utilities. Notably, three of these agreements involved the same buyer: BCP, a Services and Infrastructure focused private equity firm with deep experience in the utility sector.

In October 2023, BCP first announced an agreement with Entergy to acquire two regulated natural gas utilities in Louisiana. Four months later, BCP struck a second agreement with CenterPoint Energy to purchase its three regulated natural gas utilities in Louisiana and Mississippi. Six months after that, BCP reached a third agreement with Emera to acquire New Mexico Gas Company.

In just 10 months, BCP secured three major agreements totaling more than $3 billion for six regulated natural gas utilities – a remarkable sequence underscoring the firm's growing role in the utility sector.

"It's incredibly rare to have regulated utility assets hit the market, so to secure agreements to acquire six utilities within a year is unprecedented. We have been positioning BCP for these opportunities for years through strategic partnerships and extensive due diligence, so the moment we saw these opportunities, we were ready to move," said BCP partner and founder Jeff Jenkins. "These integrated investor-owned utilities see BCP as a partner who not only understands their business but also has the team and experience to navigate complex regulatory environments and get these deals done, while maintaining safe, reliable service delivery. It's been a busy and exciting two years."

Delta Utilities: A leading natural gas utility delivering on BCP's vision

Today, Delta Utilities, the pillar organization BCP established to lead the five natural gas utilities it acquired from Entergy and CenterPoint Energy, is serving more than 600,000 customers across Louisiana and Mississippi. The company is now one of the largest stand-alone natural gas local distribution companies in the Gulf South and among the top 40 in the U.S.

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> ***Chris Foster,*** *CenterPoint Energy CFO*

Within 14 months of the first agreement, BCP and Delta Utilities secured unanimous regulatory approvals for the five natural gas systems across three distinct jurisdictions. Given the scale and complexity of the transactions, BCP views this as a testament to its ability to navigate regulatory processes and execute strategies that put customers and community interests first.

Following regulatory approvals, BCP closed on its acquisitions with CenterPoint Energy on April 1 and Entergy on July 1. The team leveraged strategic partnerships with industry experts to ensure smooth transitions for employees and business operations, with no disruptions to service.

"Our team has worked with regulated utilities for more than 25 years, and what the BCP team accomplished – establishing a leading utility of this magnitude in under two years – is both impressive and truly unique in this industry," said Ryan Sather, managing director in Resources and Utilities at Accenture, which supported Delta Utilities through both transitions. "The BCP team not only had to navigate a complex regulatory landscape; they built an entirely new regional utility from the ground up, with cutting-edge technology systems and a highly experienced team ready to serve hundreds of thousands of customers from day one."

BCP embraced the dynamics of each deal with unique solutions that best met the transition needs of the utilities. The CenterPoint Energy transaction included transition support from CenterPoint post-closing, allowing a comprehensive and cadenced approach to transitioning the business.

TRANSACTION TIMELINE

October 30, 2023	February 20, 2024	August 14, 2024	November 20, 2024	December 3, 2024	December 19, 2024	April 1, 2025	July 1, 2025
BCP announces agreement to acquire Entergy's natural gas assets in Louisiana	BCP announces agreement to acquire CenterPoint Energy's Louisiana and Mississippi natural gas assets	Louisiana Public Service Commission unanimously approves Entergy transaction	LPSC unanimously approves CenterPoint Energy transaction	Mississippi Public Service Commission unanimously approves CenterPoint Energy transaction	New Orleans City Council unanimously approves Entergy transaction	BCP completes acquisition of CenterPoint Energy's natural gas assets	BCP completes acquisition of Entergy's natural gas assets

"For CenterPoint Energy, this transaction was an important example of our strategy to efficiently fund our long-term regulated growth plan. These are critical assets serving great communities in Louisiana and Mississippi, and we're confident BCP is the right partner with a strong vision for building a great energy company," said Chris Foster, CFO at CenterPoint Energy. "Throughout this transition, BCP has committed to uphold our longstanding legacy of reliability, maintaining seamless service while keeping customers informed every step of the way."

The agreement with Entergy required an immediate go-live strategy, including the secure transfer of data for more than 200,000 customers. With diligent planning, Delta Utilities effectively stood up a fit-for-purpose, industry-leading IT system in a matter of months, enabling a smooth billing conversion post-closing, with uninterrupted service and a successful first billing cycle for customers.

A blueprint for success: Investing in and supporting communities

Beyond the scale and rapid success of these efforts, BCP's transactions with Entergy and CenterPoint Energy mark the creation of a modernized, core-focused natural gas utility with the resources, workforce and leadership to meet growing regional energy needs.

"From the start, our mission for Delta Utilities has been to provide safe, reliable natural gas with the highest standards of service and care, driven by an expert team committed to safety and supporting the communities we serve," said Tim Poché, CEO of Delta Utilities. "The connection between our people and our communities matters and is critical to our success. It means faster response times, exceptional customer care and a utility partner our customers can count on."

Today, Delta Utilities continues to invest in workforce development, safety training and technological upgrades to deliver on its promise of exceptional service. More than 700 employees who joined Delta Utilities through the CenterPoint Energy and Entergy acquisitions remain in their roles today, bringing local knowledge, technical expertise and a shared commitment to safety and reliability.

BCP also believes utilities can be economic development catalysts for the communities they serve by supporting local jobs, businesses and public services. During the next four years, the new and retained operational activities for Delta Utilities are estimated to lead to $1.2 billion in total economic activity, $328 million in labor income and $29 million in state and local tax revenues, according to an economic analysis by Acadian Consulting Group.

BCP: A trusted partner and leader in the utility sector

As demand for innovation grows among regulated utilities, BCP views the success of Delta Utilities as proof that its approach positions the firm as a partner of choice for integrated utilities navigating the dynamic energy sector.

Looking ahead, BCP is focused on completing regulatory approval and closing on its acquisition of New Mexico Gas Company. The firm also maintains a strong pipeline of investment opportunities in the regulated utility sector.

"We're excited about the opportunities ahead for our regulated utility strategy as we believe these assets offer strong, predictable returns for investors," says Jenkins. "Our approach is to grow rate bases and drive operational efficiencies to enhance customer experience and savings, while driving economic growth for communities. With Delta Utilities as a model, BCP is shaping the next generation of regulated infrastructure — designed for resilience, grounded in partnership and built to lead."

CONTRIBUTOR

Jeff Yuknis, Managing Director, BCP

With more than 20 years of experience in the utility sector, Jeff Yuknis is involved in all areas of the firm's investment activities.

CORPORATE OVERVIEW

BCP is a Services and Infrastructure-focused private equity management firm established in 2013. BCP has deployed capital in five funds across several strategies and has more than $5 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 BernhardCapital.com.