CREDIT OPINION
31 January 2025

Update

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RATINGS

**XPLR Infrastructure, LP**

| | |
|---|---|
| Domicile | Juno Beach, Florida, United States |
| Long Term Rating | Ba1 |
| Type | LT Corporate Family Ratings |
| Outlook | Stable |

*Please see the ratings section at the end of this report for more information. The ratings and outlook shown reflect information as of the publication date.*


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# XPLR Infrastructure, LP

## Update to credit analysis following rating affirmation

## Summary


XPLR Infrastructure, LP (XPLR, Ba1 stable) credit profile is underpinned by the company's stable and predictable cash flow generation from a diversified portfolio of renewable power projects with an average contract life of approximately 13 years and mid-Baa, on average, investment grade counterparties. XPLR continues its plan to sell its remaining natural gas assets (i.e. Meade Pipeline Co. (Meade)) in 2025, which would leave the company with a portfolio of 100% renewable energy and battery storage projects.

These credit strengths are offset by a leveraged financial profile as well as the company's complex balance sheet and organizational structure, primarily related to the Convertible Equity Portfolio Financing (CEPFs). The credit profile is constrained by the potential obligations related to CEPF buy-out options, if exercised, from 2025 through 2034. The credit also considers execution risk related to XPLR's dividend suspension and plan to use retained cash flow to address CEPF buy-out obligations as they come due over time.

For the most part, XPLR's key credit metrics have been relatively stable historically but can vary at different periods due the timing of debt issuance and the inclusion of run-rate EBITDA and cash flow for the assets acquired. For the three-year period ending 30 September 2024, XPLR's ratio of cash flow from operations before changes in working capital (CFO pre-W/C) to debt averaged 14.3%. For the 12-months ended 30 September 2024, XPLR's ratio of CFO pre-W/C to debt was 16.2%. At the same time, XPLR's leverage as measured by consolidated Debt/EBITDA was about 4.9x for the 12-months ended 30 September 2024.

Over the next few years, we anticipate that XPLR's ratio of CFO pre-W/C to debt will modestly decline from current levels due to reduced cash flows associated with a smaller portfolio of assets as CEPF assets are sold or the company lets assets flip to CEPF partners, as well as due to the burden of higher interest rate debt. However, we expect the company to maintain a ratio of CFO pre-W/C to debt above 12% (the current threshold for a potential downgrade) and Debt to EBITDA in the 6.0x range (below the 7.0x threshold for a potential downgrade). We have increased XPLR's CFO pre-W/C to debt threshold for a potential downgrade up to 12% from 11% in recognition of the risk associated with its current financial strategy. There was no change to the Debt to EBITDA thresholds.

XPLR has historically benefited from its association with the NextEra Energy, Inc. (NEE, Baa1 stable) corporate family, particularly from access to assets available for sale within NextEra Energy Resources' (NEER) large renewable portfolio consisting of both operating assets and a growth backlog of more than 25 GW. The linkage to NEER is now less advantageous given XPLR's reduced growth strategy as the company no longer plans to grow its portfolio through asset acquisitions in the near-to-intermediate term. However, NEER continues to operate and manage XPLR's portfolio of assets through a master services agreement.

XPLR continues to have solid access to the debt capital markets and has utilized diverse financing structures in the past to fund its portfolio asset growth. However, due to XPLR's depressed equity price compared to historical levels, new equity issuances would be very dilutive to shareholders and the currently very high cost of capital (prior to the dividend distribution cut) would be an unsustainable financing alternative. XPLR's use of CEPF structures executed with KKR, Apollo and other financial investors have added financial complexity to its credit profile, a credit negative. Nevertheless, to date, XPLR has executed and financed the buy-out options associated with these CEPF structures in a manner that has not materially added leverage and has been able to maintain relatively stable credit metrics.

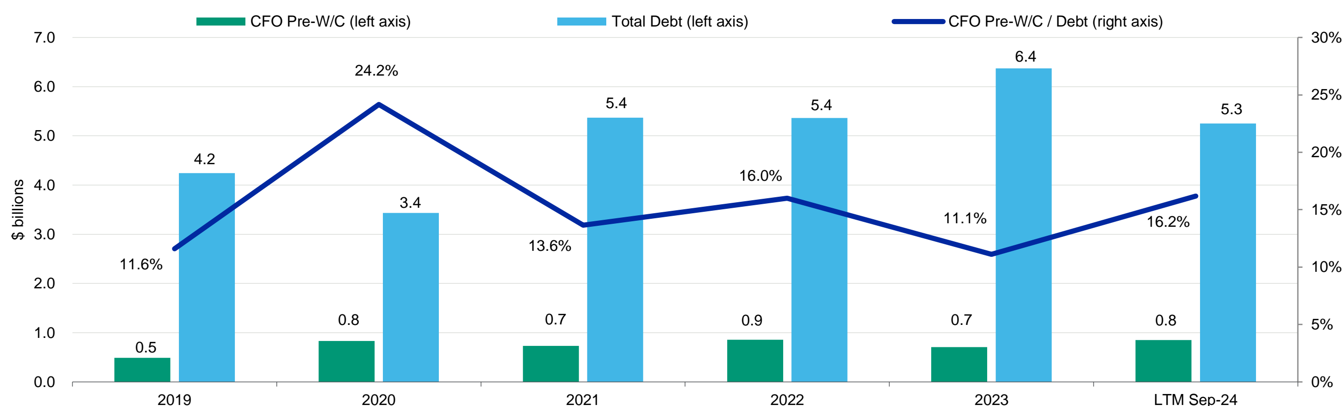
### Recent developments

On 28 January, XPLR announced a strategic repositioning whereby the company suspended distributions to unitholders indefinitely and is moving from a business model that focused almost entirely on raising new capital to acquire assets while distributing substantially all of its excess cash flows to unitholders to a model that focuses on capital allocation. The company announced its intention to use excess cash flow to invest in convertible equity portfolio financing buyouts.

XPLR will continue to maintain its current relationship with NEE, its largest unitholder, through supplier and financing contracts, board representation that remains unchanged, existing service agreements and access to investment opportunities. XPLR will retain the same benefits and operational expertise that NEE currently provides across its entire portfolio.

Exhibit 1

**Historical CFO pre-W/C, Total Debt and ratio of CFO pre-W/C to Debt ($ MM)**




All data based on adjusted financial data, which follow our Financial Statement Adjustments in the Analysis of Nonfinancial Corporations methodology.
LTM = Last 12 months.
*Source: Moody's Financial Metrics™*

## Credit strengths

- Diverse portfolio of renewable energy projects backed by long-term contracts with a broad group of predominantly investment grade counterparties
- Renewable projects continue to benefit from a strong growth environment
- Strategic repositioning plan will reduce acquisition growth and balance sheet complexity while adding to financial profile transparency
- Retained cash flow from lack of unitholder distributions will support balance sheet as primary source of funding for CEPF obligations
- Relatively stable financial profile mainly due to steady cash flow generation

This publication does not announce a credit rating action. For any credit ratings referenced in this publication, please see the issuer/deal page on https://ratings.moodys.com for the most updated credit rating action information and rating history.

## Credit challenges

- Convertible equity portfolio financing structures increase financial complexity and reduce transparency, although no new agreements planned for the future
- Long-term CEPF buy-out options, if exercised, require significant financing needs
- The business model and equity share price can be vulnerable to volatile capital market conditions causing its equity to be a less appealing financing tool
- Capital investments through wind repowerings will require debt financing and maintain a leveraged financial profile
- Having more long-term bullet maturity parent debt than amortizing project debt may limit financial flexibility

## Rating outlook

XPLR's stable outlook reflect our expectation that the company' portfolio of assets will continue to exhibit a steady operational performance with stable cash flow generation that will allow the company to generate consistent financial metrics including a Debt to EBITDA ratio in the 6x range and a ratio of CFO pre-W/C to debt in the low-teens. The outlook also reflects our view that the company will execute its revised capital allocation strategy and finance future CEPF buy-out obligations, if exercised, in a manner that maintains the company's financial profile and does not materially increase business risk.

## Factors that could lead to upgrade

Given the company is in the midst of a strategic repositioning, an upgrade of XPLR's ratings over the near-to-intermediate term is unlikely. However, XPLR's rating could be upgraded if the company continues to pursue a less aggressive growth by acquisition strategy; its financial complexity is reduced; and the company commits to sustain a strong, investment grade financial profile including a consolidated ratio of Debt/EBITDA below 5x and a ratio of CFO pre-W/C to debt in the high teens for an extended period.

## Factors that could lead to downgrade

XPLR's rating could be downgraded if there is a deterioration in the credit quality of its asset portfolio such that contracts have shorter tenors, weaker counterparties or increased merchant exposure. A downgrade could also occur if its revised capital allocation strategy is not successfully executed such that there is a deterioration in XPLR's financial profile including an increase in its ratio of consolidated Debt/EBITDA to over 7x or its ratio of CFO pre-W/C to debt declines to less than 12% on a sustained basis. A reinstatement of unit distributions or more aggressive financial policies could cause negative rating pressure.

## Key indicators

Exhibit 2
**XPLR Infrastructure, LP**

| | 2019 | 2020 | 2021 | 2022 | 2023 | LTM Sep-24 |
|---|---|---|---|---|---|---|
| (CFO Pre-W/C + Interest) / Interest Expense | 1.7x | 2.3x | -15.2x | 0.0x | 2.8x | 3.0x |
| (CFO Pre-W/C) / Debt | 11.6% | 24.2% | 13.6% | 16.0% | 11.1% | 16.2% |
| RCF / Debt | 2.6% | 11.2% | 2.3% | 4.2% | 0.5% | 1.1% |

All data based on adjusted financial data, which follow our Financial Statement Adjustments in the Analysis of Nonfinancial Corporations methodology.
LTM = Last 12 months.
*Source: Moody's Financial Metrics™*

## Profile

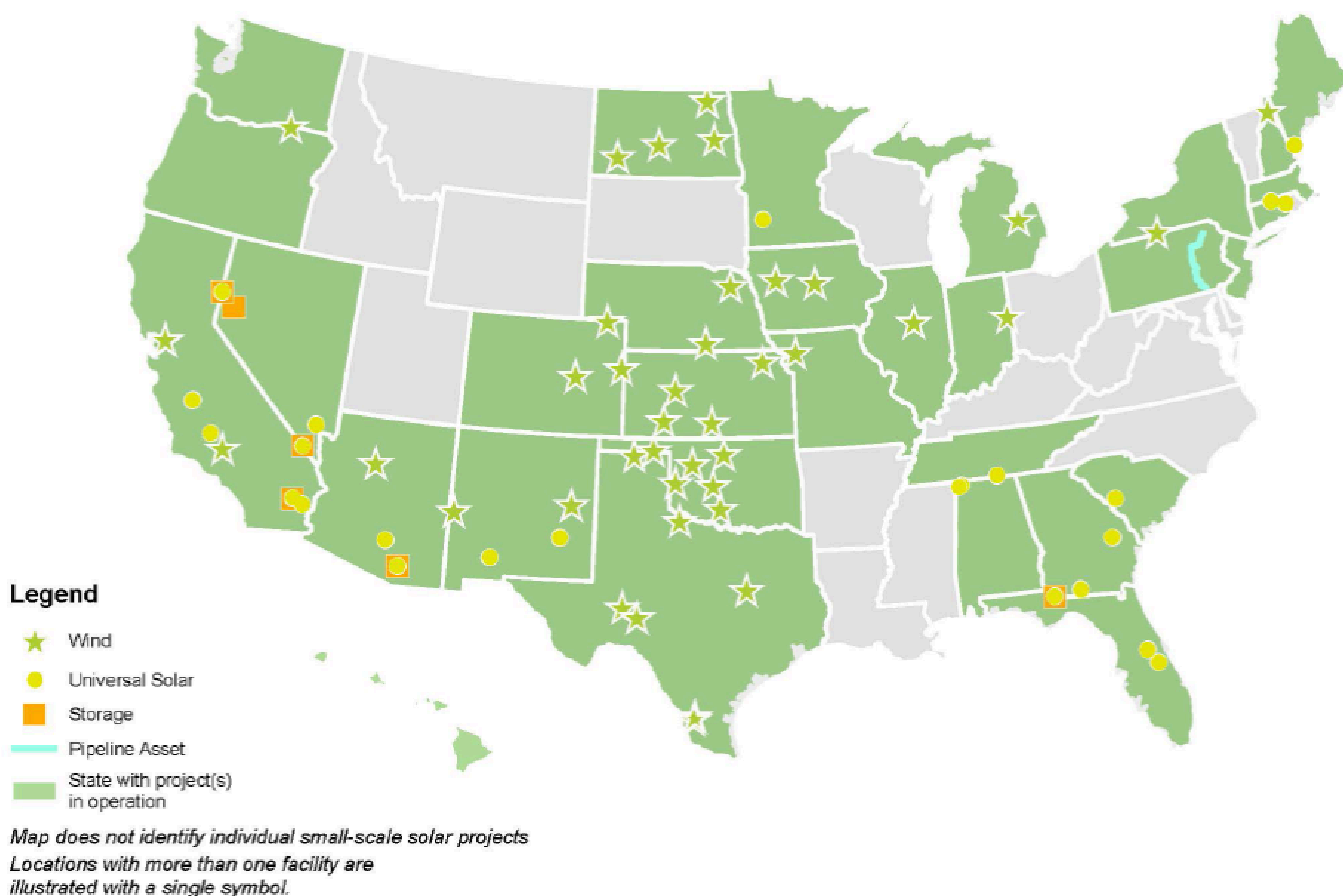
XPLR is a limited partnership, 51.4% owned by NEE, consisting of a portfolio of long-term contracted renewable energy and battery storage projects, and natural gas pipeline assets (which are in the process of being sold). At 30 September 2024, XPLR owned a controlling, non-economic general partner interest and a 48.6% limited partner interest in XPLR Infrastructure Operating Partners, LP (XPLR IOP). XPLR IOP's debt obligations are absolutely and unconditionally guaranteed by XPLR.

Through XPLR IOP, XPLR owns a portfolio of contracted renewable generation assets consisting of 8 gigawatts (GW) of wind generation, 1.8 GW of solar generation, and 0.2 GW of battery storage spread over 94 power projects as well as approximately 0.7 Bcf of natural gas pipeline assets. The projects are located in 31 states in four broadly diversified regions -- the Northeast, the West Coast, the southern Great Plains and the upper Midwest. All projects benefit from fixed price, long-term contracts, most with strong investment grade counterparties (average credit rating in the mid-Baa range), with an average remaining life of about 13 years. XPLR intends to sell its ownership of Meade, which has a 39.2% ownership interest in the Central Penn Line, a 1.7 Bcf/day pipeline that transports Marcellus natural gas to the Mid-Atlantic region. The company expects to complete the asset sale in late 2025.

Headquartered in Juno Beach, FL, NEE is one of the largest power and utility holding companies in our global rated universe. NEE's principal operating utility, Florida Power & Light Company (FPL, A1 stable) is one of the largest and financially strongest vertically integrated regulated utilities in the US serving approximately 5.9 million customer accounts or over 12 million people across nearly half of the state of Florida. FPL accounts for about 60% of NEE's consolidated EBITDA.

NEE is also the holding company of NextEra Energy Capital Holdings, Inc. (NEECH, Baa1 stable), which is the principal debt financing vehicle for the non-FPL businesses and the parent of NextEra Energy Resources (NEER), an intermediate holding company for NEE's independent power projects and ownership interest in XPLR as well as other interests in natural gas pipelines. NEECH's other subsidiaries include NextEra Energy Transmission (NEET), which holds FERC regulated electric transmission assets, such as Trans Bay Cable LLC (Baa2 stable). NEE has no debt of its own but guarantees the debt issued at NEECH.

Exhibit 3
**XPLR's generation and gas pipeline portfolio**




*Source: Company fillings*

## Detailed credit considerations

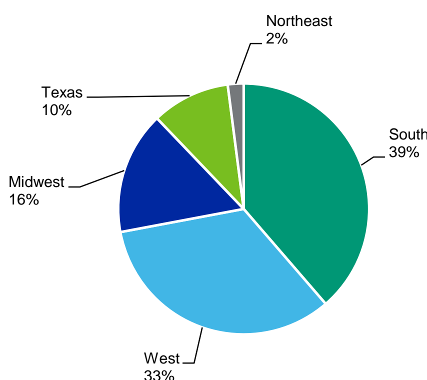
### Credit quality underpinned by diverse portfolio of renewable projects backed by long-term contracts with primarily investment grade counterparties

XPLR has a diversified portfolio of renewable energy projects – by geography, by number of projects as well as by fuel type - with 8.0 GW of wind, 1.8 GW of solar and 0.2 GW of battery storage spread over 94 projects. The projects are located in 31 states in four broadly diversified regions -- the Northeast, the West Coast, the southern Great Plains and the upper Midwest. All projects benefit from fixed price, long-term contracts, with approximately 80 different counterparties, most considered investment grade (average Baa2 credit quality) and an average remaining life of about 13 years.

XPLR is also in the process of selling its last remaining natural gas assets, Meade, which the company expects to be sold in 2025. Meade owns a 39.2% ownership interest in the Central Penn Line, a 1.7 Bcf/day pipeline that transports Marcellus natural gas to the Mid-Atlantic region.

Exhibit 4

**Portfolio by geographic region based on net MWs (30 Sep 2024)**




Various and other regions have been included in South region.
*Source: Company filings*

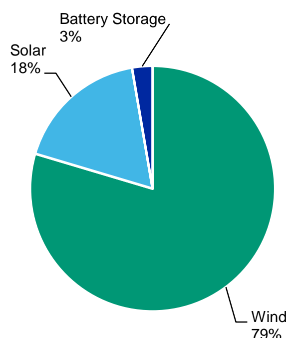
Exhibit 5

**XPLR's generation portfolio (30 Sep 2024)**

| Resource | Number of projects | Total Net MWs |
|---|---|---|
| Wind | 58 | 8,049 |
| Solar | 30 | 1,790 |
| Battery Storage | 6 | 273 |
| Total XPLR Portfolio | 94 | 10,112 |

*Source: Company filings*

Exhibit 6
**XPLR's net MWs diversity by asset type (30 Sep 2024)**




*Source: Company filings*

## Recent strategic repositioning announcement and renewable focused plan announced in 2023 will reduce capital structure complexity and increase financial transparency

On 28 January 2025, XPLR announced a strategic repositioning which included the transition of its business model that focused almost entirely on raising new capital to acquire assets while distributing substantially all of its excess cash flows to unitholders to a model that focuses on capital allocation. As a result, the company suspended all distributions to unitholders for an indefinite period. By taking these actions, XPLR expects to eliminate the need for equity issuances.

XPLR plans to reposition its capital allocation model by:

- Fund buy-out options of select CEPFs with retained cash;
- Make investments in opportunities related to its existing assets, including a portfolio of wind repowering and battery storage projects;
- Over the longer term, explore additional growth opportunities by evaluating investments adjacent to its core clean energy assets;
- Return capital to unitholders, including common equity buybacks

We view the strategic repositioning and revised capital allocation model as supportive to XPLR's credit quality mainly due to the company's plan to retain cash flow instead of distributing it to equity unitholders and using this cash to finance CEPF obligations, when or if options are exercised. The announcement also includes the company's plan on how it will address CEPF obligations over the long term. However, the credit is constrained by the company's execution risk related to revised financial strategy and its ability to maintain the company's financial profile longer term.

The strategic repositioning announcement followed XPLR's 28 December 2023 announcement that the company had closed on the sale of its STX Midstream assets to Kinder Morgan, Inc. (Baa2 stable) for $1.815 billion. The asset sale follows XPLR's May and September 2023 announcements that it would lower its overall growth rate and transition to a 100% renewable energy project owner by 2025 while also reducing capital structure complexity.

XPLR used the proceeds from the asset sale, which closed in early 2024, to pay off outstanding project-related debt, pay down a portion of its corporate revolving credit facility borrowings, and provide the funding needed to execute the company's CEPF buyout options through June 2025. The gas pipeline portfolio generated approximately $181 million of adjusted EBITDA in 2023. Although some of the proceeds was used to pay off debt, we considered the sale to be credit neutral because of the loss of cash flow generation from these assets. For further discussion on the STX asset sale, refer to Texas gas pipeline portfolio sale will support credit quality during its transition plan.

In XPLR's May 2023 announcement, the company indicated its intentions to sell STX Midstream and Meade natural gas assets, in 2023 and 2025, respectively. The asset sales are part of the company's plan to focus solely on growing its renewable energy portfolio. We expect the asset sales themselves to be credit neutral, however, the transactions will reduce capital structure complexity. The sale proceeds will be used to reduce XPLR's future equity needs related to CEPF buyout options through 2025. Upon completion of the pipeline sales by 2025, XPLR will become a 100% renewable energy company, eliminating carbon transition risk, a positive ESG consideration. For further discussion on the May announcement, refer to Natural gas pipeline asset sales are credit neutral but will reduce both equity needs and capital structure complexity.

As the company executes on its revised capital allocation model, by the end of 2025, XPLR will have three remaining CEPF structures with buy-out obligations that could be as much as approximately $4 billion over time. The company indicated their intention to sell the assets in one of the remaining CEPFs in 2027. XPLR intends to buy-out the remaining two CEPFs as they come due at multiple annual intervals from 2026 through 2034 with obligations in the aggregate of roughly $2.5 billion. Additionally, XPLR's avoidance of entering into any new CEPF structures going forward will reduce its capital structure complexity and improve the transparency of its financial profile.

Exhibit 7

**XPLR Infrastructure will have only two outstanding CEPFs by the end of 2027 after executing on plan to complete CEPF 1,2 and 3 buyouts**

| CEPF | Name | Minimum Buyout Date(s) | How management plans to address |
|---|---|---|---|
| 1 | NEP Renewables II | 2025 | Use B/S and cash |
| 2 | 2019 Pipelines (Meade) | 2025 | Sale of underlying assets |
| 3 | NEP Renewables III | 2027 | Sale of underlying assets |
| 4 | NEP Renewables IV | 2029 - 2032 | Use cash flow |
| 5 | Genesis Holdings | 2026, 2027, 2030 - 2034 | Use cash flow |

*Source: Company presentation*

## Convertible equity portfolio financing structures added financial complexity and reduced transparency

Over the last several years, XPLR used CEPF structures to provide the company access to low cost capital as a means to finance portfolio asset acquisitions. XPLR also believed that the CEPF structures provided the company with greater financial flexibility and demonstrated the company's ability to access new sources of capital. Despite the intended lower cost of financing, these structures constituted a form of financial engineering that added uncertainty with regard to XPLR's future financial performance and complicated the company's capital structure and financial profile.

The transactions include a holding period, during which time the joint sponsor receives a coupon payment on their investment, and a designated time period when XPLR may exercise its right to buy some or all of the joint sponsor's ownership in the joint venture. The purchase price is calculated based on the joint sponsor's initial investment and a pre-specified rate of return. For further discussion on our analysis of XPLR's CEPF structures, please refer to the report, Recent joint venture agreements increase financial complexity and reduce transparency, a credit negative.

Exhibit 8

**Financing terms of XPLR's CEPF structures outstanding**

| | NEP Renewables II | NEP Pipelines | Genesis Holdings | NEP Renewables III | NEP Renewables IV |
|---|---|---|---|---|---|
| Underlying projects/pipelines | Renewable energy projects with a combined net generating capacity of approximately 1,130 MW | Equity methodinterest in a natural gas pipeline located in Pennsylvania | Renewable energy projects with a combined net generating capacity of approximately 1,124 MW | Renewable energy projects with a combined net generating capacity of approximately 1,260 MW | Renewable energy projects with a combined net generating capacity of approximately 2,046 MW |
| Date of sale | June 11, 2019 | November 13, 2019 | December 18, 2020 | December 28, 2021 | December 15, 2022 |
| Gross proceeds | $900 million | $168 million | $1,243 million | $816 million | $887 million |
| Initial allocation of distributable cash to Class B investors | 5% | 1% | 25% | 65% | 17% |
| Period for initial allocation | 6 years | 6 years | 10 years | 10 years | 10 years |
| Period for initial allocation if minimum buyouts have not occurred | 4.5 years | 5 years | 6.75 years | 6 years | 6.5 years |
| Allocation of distributable cash to Class B investors after initial allocation period | 99% | 99% | 80% | 99% | 99% |
| Date buyout period begins | December 11, 2022 | May 13, 2023 | December 18, 2025 | December 28, 2026 | December 15, 2027 |
| Buyout right timing | Periodically, and for partial interests between years 3.5 and 6 | Periodically, and for partial interests between years 3.5 and 6.5 | Periodically, and for partial interests between years 5 and 10 | Periodically, and for partial interests between years 5 and 10 | Periodically, and for partial interests between years 5 and 10 |
| Percentage of buyout price that can be paid in NEP non-voting common units at current market price | 70% | 100% | 100% | 100% | 100% |

*Source: Company filings*

Although the history of these complicated structures is limited, XPLR successfully completed the early buyout of the company's first CEPF structure in November 2021. At that time, XPLR exercised the buyout option and acquired 100% of the outstanding minority ownership interest in the portfolio of wind and solar assets included in the company's 2018 inaugural CEPF structure entered into with a Blackrock infrastructure fund. Blackrock elected to receive 30% of the buyout in cash, which XPLR funded primarily with debt. The remaining 70% of the buyout was funded with new equity, which supported XPLR's credit quality related to this financially complex and relatively new financing structure.

XPLR exercised the buyout option approximately one month earlier than the company originally expected through an early exercise agreement between XPLR and the fund. XPLR issued project level debt on a subset of the assets in the portfolio to repay the revolver borrowings used to fund the cash portion of the buyout as well as to support XPLR's other previously announced growth investments. See further discussion in "Early buyout of inaugural convertible equity portfolio financing done in a credit supportive manner."

Since the inaugural CEPF in September 2018, XPLR executed six additional CEPF structures. The majority of the other CEPF structures allow XPLR, at its sole election, to finance the buyouts entirely with new equity, if the company chooses to exercise the option, which was more credit supportive because of the absence of additional leverage.

### Financial profile expected to remain relatively stable and support credit quality

While XPLR has utilized a diverse set of capital market products to finance its growth, the company's leveraged financial profile constrains its credit quality. For the most part, XPLR's key credit metrics have been relatively stable historically but can vary at different periods due the timing of debt issuance and the inclusion of run-rate EBITDA and cash flow for the assets acquired. In 2020, XPLR's financial profile was unusually strong including a ratio of CFO pre-W/C to debt of 24.2% but reverted back to historical levels in 2021 including a ratio of CFO pre-W/C to debt of 13.6% as a result of increased debt issuances to fund portfolio asset acquisitions.

For the three-year period ending 30 September 2024, XPLR's ratio of cash flow from operations before changes in working capital (CFO pre-W/C) to debt averaged 14.3%, with a low of 11.1% in 2023 and a high of 16% in 2022. For the 12-months ended 30 September 2024, XPLR's ratio of CFO pre-W/C to debt was 16.2%. At the same time, XPLR's leverage as measured by consolidated Debt/EBITDA was about 4.9x for the 12-months ended 30 September 2024.

Over the next few years, we anticipate that XPLR's ratio of CFO pre-W/C to debt will modestly decline from current levels due to reduced cash flows associated with a smaller portfolio of assets as CEPF assets are sold or the company lets assets flip to CEPF partners, as well as due to the burden of higher interest rate debt. However, we expect the company to maintain a ratio of CFO pre-W/C to debt above 12% and Debt to EBITDA in the 6.0x range.

### Renewable energy market maintains high growth environment and opportunities for organic growth investments

Market conditions continue to remain favorable for the growth of renewable energy in many countries and particularly in the US. This is largely driven by technological improvements that drive costs lower and continue to allow renewables to be economically competitive with fossil fuel generation as well as the focus on carbon emission reduction goals and renewable energy mandates in many states.

XPLR has historically benefited from its sponsorship by NEE and access to assets available for sale in NEER's large portfolio including growth backlog of over 25 GW of generation. The linkage to NEER is now less advantageous given XPLR's reduced growth strategy as the company no longer plans to grow its portfolio through asset acquisitions in the near-to-intermediate term. However, NEER continues to operate and manage XPLR's portfolio of assets through a master services agreement.

Renewable growth opportunities in the US were further bolstered by the passage of the Inflation Reduction Act of 2022 (IRA) in August 2022. Among other things, the IRA included extensions of wind and solar tax credits on renewable projects; a new solar production tax credit (PTC); a stand alone battery investment tax credit (ITC); the ability to transfer renewable energy tax credits to a third party; and a 15% corporate minimum tax based on pre-tax income for years after 2022. Although the new Administration has threatened to make changes to the IRA, we do not expect wholesale changes at this time. As such, we continue to expect XPLR's parent company, NEE, to benefit from the expansion of renewable tax credits given NEER's leading position and strong renewable energy growth and development opportunities. While XPLR is not planning to pursue growth by acquisition under its revised capital allocation model, the company should find organic growth investment opportunities including wind repowerings and co-location battery storage

opportunities across its portfolio. At the same time, the strong renewable market provides an avenue for XPLR to sell assets in its portfolio at attractive returns if the company needed to raise funds or recycle capital for future investment needs.

XPLR has identified substantial capital investment opportunities within its existing portfolio with the expectation to invest $1.7 - $1.9 billion over 2025 and 2026. Management indicated the majority of that investment will occur in 2025. The company plans to use a combination of holdco and project level debt as well as internal cash flow generation to finance the investment opportunities. XPLR's ability to use a balanced mix of borrowings and cash flow will be important for the company to maintain a stable financial profile consistent with historical metrics that support credit quality.

### Higher parent level debt may limit financial flexibility

Over the last few years, XPLR has increased parent level debt relative to project level debt within the company's capital structure. Parent debt issuances have bullet maturities compared to amortizing project debt, which typically amortizes ahead of or in line with the tenor of the project's cash flow. The increase in parent level bullet maturity debt versus amortizing project level debt within the capital structure reduces XPLR's financial flexibility, particularly if the environment for recontracting assets becomes challenging.

As of 30 September 2024, we calculate XPLR's parent level debt at about 60% of total debt, which could increase if additional holdco debt is used to finance capital investments. Several years ago, XPLR's capital structure included a majority of project level debt such that XPLR's parent level debt was less than 40% of total debt. Since debt at the project level amortizes, and all else equal, it naturally results in an improving financial profile over time. Amortizing project level debt is more credit supportive as it better addresses the longer-term recontracting risks associated with a yieldco's renewable project portfolio.

In our credit analysis of XPLR, we assess the company's credit metrics on a consolidated basis, including project level debt, whether that debt is recourse or not. This consolidated approach reflects our view that project cash flows are a critical component of a yieldco's business model and, as a result, project level debt should be aligned with associated cash flows received from projects.

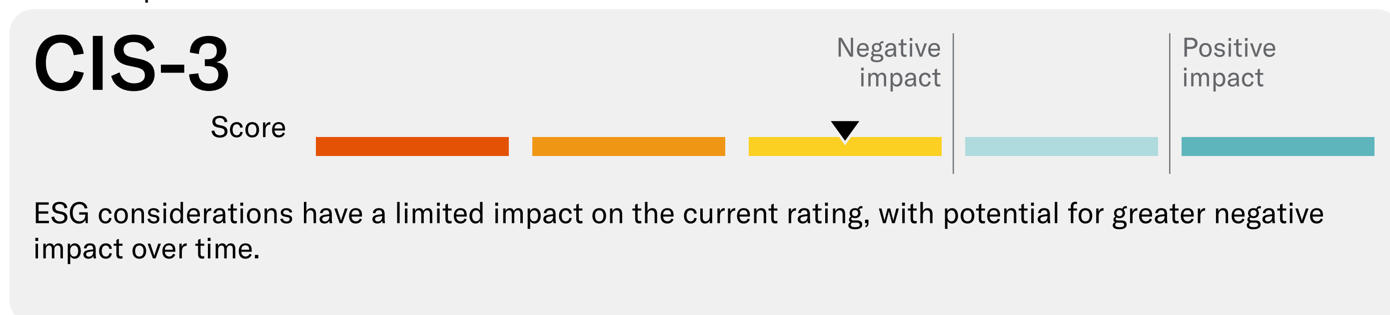
### Business model and equity share price has been vulnerable to volatile capital market and macro-economic conditions

Over the years, the yieldco sector has faced challenging capital market and macro-economic conditions, especially volatile equity prices, which can make issuing equity on an accretive basis difficult, as well as high interest rates, which increases their cost of financing. Since its IPO in 2014, XPLR has seen substantial volatility in its equity price. XPLR's equity price has deteriorated significantly from its high reached in November 2021 and is currently trading well below its IPO price. Since the beginning of January 2024, XPLR's share price is down roughly 60%, mostly due to volatility in the market with regard to interest rate sensitivity, the macro-economic environment and anticipation of the company's strategic review which resulted in reduced acquisition growth and distribution cut. While management has indicated XPLR has no intention of issuing new equity, particularly at the company's equity all-time price lows, we expect the revised capital allocation model including the distribution cut will allow XPLR to maintain its access to the debt capital markets.

## ESG considerations

### XPLR Infrastructure, LP's ESG credit impact score is CIS-3

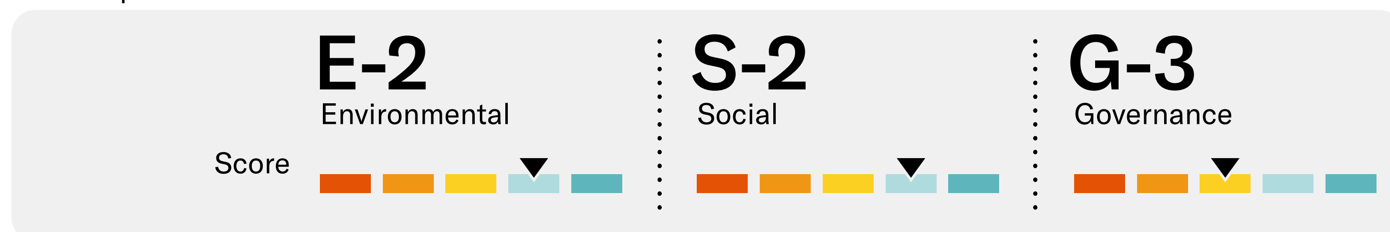
Exhibit 9
**ESG credit impact score**




*Source: Moody's Ratings*

XPLR's **CIS-3** indicates that ESG considerations have a limited impact on the current credit rating with potential for greater negative impact over time. The **CIS-3** reflects the higher leverage, financial policy complexities and a revised capital allocation model within governance considerations and the limited impact of environmental and social risks.

Exhibit 10
**ESG issuer profile scores**




*Source: Moody's Ratings*

### Environmental

XPLR's **E-2** issuer profile score is not a material driver of credit quality because its exposure to physical climate risks is mitigated by a portfolio that is geographically diversified across several regions and a number of states in the US. The company is eliminating its carbon transition risk with the announced sale of its gas pipeline assets by 2025 which would leave XPLR with a portfolio of 100% renewable energy assets. As a pure-play renewable owner without and carbon emitting resources, XPLR will continue to benefit from the country's carbon transition.

### Social

XPLR's **S-2** issuer profile score considers its long-term contracted assets in the US that reduce its exposure to regulatory or political intervention.

### Governance

XPLR's **G-3** issuer profile score largely reflects exposure related to the company's higher leverage, relatively aggressive financial policies including the revised capital allocation model and complexity around the convertible equity portfolio financing structures and the majority, albeit declining, ownership by NEE.

ESG Issuer Profile Scores and Credit Impact Scores for the rated entity/transaction are available on Moodys.com. In order to view the latest scores, please click here to go to the landing page for the entity/transaction on MDC and view the ESG Scores section.

## Liquidity analysis

The upgrade of XPLR's speculative grade liquidity rating to SGL-1 from SGL-2 reflects improved liquidity primarily due to the suspension of unit distributions and the company's stable cash flow generation from its long-term contracted portfolio of assets. As of 30 September 2024, XPLR had cash and cash equivalents on its balance sheet of $290 million.

Over the next few years, we expect operating cash flow to be in the $650-700 million range annually. We expect the company to primarily access the capital markets only to finance organic growth opportunities such as existing wind repowerings or to refinance debt maturities at the holding company and project level. The end of dividend distributions to unit holders will allow XPLR to build up cash on its balance sheet to meet CEPF obligations as they become due if the buy-out options are exercised.

XPLR has a $2.5 billion senior unsecured revolving credit facility that expires in February 2029. XPLR was in compliance with all financial debt covenants related to the revolver as of 30 September 2024. The credit facility allows for same-day borrowing and there is no material adverse change clause on each borrowing. As of 30 September 2024, there was $175 million of borrowings on the credit facility. Historically, XPLR typically has had minimal borrowings on its revolver because it generally raises long-term capital prior to significant new asset acquisitions, which allows the company to maintain liquidity strength.

XPLR's near term debt maturities include $600 million of convertible notes due in November 2025 and $500 million of unsecured notes due in June and October 2026.

## Rating methodology and scorecard factors

We use our global Unregulated Utilities and Unregulated Power Companies rating methodology as the primary methodology for analyzing XPLR Infrastructure, LP.

Exhibit 11

Methodology scorecard factors

XPLR Infrastructure, LP

| Unregulated Utilities and Unregulated Power Companies Industry Scorecard | Current LTM Sep-24 | | Moody's 12-18 month forward view | |
|---|---|---|---|---|
| **Factor 1 : Scale (10%)** | **Measure** | **Score** | **Measure** | **Score** |
| a) Scale ($ billions) | Baa | Baa | Baa | Baa |
| **Factor 2 : Business Profile (35%)** | | | | |
| a) Market Diversification | A | A | A | A |
| b) Hedging and Integration Impact on Cash Flow Predictability | Aa | Aa | Aa | Aa |
| c) Market Framework & Positioning | Ba | Ba | Ba | Ba |
| d) Capital Requirements and Operational Performance | A | A | A | A |
| e) Business Mix Impact on Cash Flow Predictability | na | na | na | na |
| **Factor 3 : Financial Policy (15%)** | | | | |
| a) Financial Policy | Ba | Ba | Ba | Ba |
| **Factor 4 : Leverage and Coverage (40%)** | | | | |
| a) (CFO Pre-W/C + Interest) / Interest (3 Year Avg) | -18.7x | Caa | 2.5x-3.5x | Ba |
| b) (CFO Pre-W/C) / Debt (3 Year Avg) | 14.3% | Ba | 12%-15% | Ba |
| c) RCF / Debt (3 Year Avg) | 1.6% | Caa | 11%-14% | Ba |
| **Rating:** | | | | |
| a) Scorecard-Indicated Outcome | | Ba1 | | Baa3 |
| b) Actual Rating Assigned | | | | Ba1 |

All data based on adjusted financial data, which follow our Financial Statement Adjustments in the Analysis of Nonfinancial Corporations methodology.
LTM = Last 12 months.
*Sources: Moody's Financial Metrics™ and Moody's Ratings forecasts*

# Appendix

Exhibit 12

## Peer Comparison

**XPLR Infrastructure, LP**

| | XPLR Infrastructure, LP Ba1 Stable | | | Clearway Energy, Inc. Ba2 Stable | | | Pattern Energy Operations LP Ba3 Stable | | |
|---|---|---|---|---|---|---|---|---|---|
| (in $ millions) | FY Dec-22 | FY Dec-23 | LTM Sep-24 | FY Dec-22 | FY Dec-23 | LTM Sep-24 | FY Dec-22 | FY Dec-23 | LTM Sep-24 |
| Revenue | 1,171 | 1,098 | 1,278 | 1,190 | 1,314 | 1,364 | 809 | 854 | 834 |
| CFO Pre-W/C | 858 | 708 | 850 | 782 | 749 | 813 | 401 | 354 | 337 |
| Total Debt | 5,365 | 6,369 | 5,254 | 7,367 | 8,671 | 7,778 | 2,817 | 3,202 | 3,182 |
| CFO Pre-W/C + Interest / Interest | 0.0x | 2.8x | 3.0x | 4.1x | 2.9x | 2.7x | 3.8x | 3.4x | 3.0x |
| CFO Pre-W/C / Debt | 16.0% | 11.1% | 16.2% | 10.6% | 8.6% | 10.5% | 14.2% | 11.1% | 10.6% |
| RCF / Debt | 4.2% | 0.5% | 1.1% | 6.5% | 4.9% | 6.0% | 10.2% | 7.5% | 7.3% |
| Debt / Capitalization | 26.6% | 31.2% | 27.9% | 64.0% | 63.0% | 57.9% | 40.9% | 49.0% | 52.1% |

All figures and ratios are based on adjusted financial data and incorporate Moody's Global Standard Adjustments for Non-Financial Corporations.
*Source: Moody's Financial Metrics*

Exhibit 13

## Moody's-adjusted cash flow metrics

**XPLR Infrastructure, LP**

| (in $ millions) | 2019 | 2020 | 2021 | 2022 | 2023 | LTM Sep-24 |
|---|---|---|---|---|---|---|
| **FFO** | **493.1** | **833.1** | **742.2** | **859.9** | **772.7** | **841.7** |
| +/- Other | (1.0) | (4.0) | (9.0) | (2.0) | (65.0) | 8.0 |
| **CFO Pre-WC** | **492.1** | **829.1** | **733.2** | **857.9** | **707.7** | **849.7** |
| +/- ΔWC | (23.0) | 5.0 | (16.0) | 20.0 | (48.0) | (43.0) |
| **CFO** | **469.1** | **834.1** | **717.2** | **877.9** | **659.7** | **806.7** |
| - Div | 383.0 | 449.0 | 619.0 | 636.0 | 741.0 | 783.0 |
| - Capex | 94.1 | 335.1 | 114.2 | 1,351.9 | 1,269.7 | 394.7 |
| **FCF** | **(8.0)** | **50.0** | **(16.0)** | **(1,110.0)** | **(1,351.0)** | **(371.0)** |
| | | | | | | |
| (CFO Pre-W/C) / Debt | 11.6% | 24.2% | 13.6% | 16.0% | 11.1% | 16.2% |
| (CFO Pre-W/C - Dividends) / Debt | 2.6% | 11.1% | 2.1% | 4.1% | -0.5% | 1.3% |
| FFO / Debt | 11.6% | 24.3% | 13.8% | 16.0% | 12.1% | 16.0% |
| RCF / Debt | 2.6% | 11.2% | 2.3% | 4.2% | 0.5% | 1.1% |
| | | | | | | |
| Revenue | 891.0 | 1,160.0 | 1,069.0 | 1,171.0 | 1,098.0 | 1,278.0 |
| Interest Expense | 703.9 | 621.9 | (45.2) | (846.9) | 395.3 | 433.3 |
| Net Income | 25.4 | 224.1 | 331.4 | 750.5 | 246.6 | 321.7 |
| Total Assets | 12,256.0 | 12,562.0 | 18,976.0 | 23,052.0 | 22,511.0 | 20,904.0 |
| Total Liabilities | 10,128.0 | 10,208.0 | 15,999.0 | 19,727.0 | 18,942.0 | 17,491.0 |
| Total Equity | 2,128.0 | 2,354.0 | 2,977.0 | 3,325.0 | 3,569.0 | 3,413.0 |

All data based on adjusted financial data, which follow our Financial Statement Adjustments in the Analysis of Nonfinancial Corporations methodology.
LTM = Last 12 months.
*Source: Moody's Financial Metrics™*

## Ratings

Exhibit 14

| Category | Moody's Rating |
|---|---|
| **XPLR INFRASTRUCTURE, LP** | |
| Outlook | Stable |
| Corporate Family Rating | Ba1 |
| Speculative Grade Liquidity | SGL-1 |
| **ULT PARENT: NEXTERA ENERGY, INC.** | |
| Outlook | Stable |
| Issuer Rating | Baa1 |
| **PARENT: NEXTERA ENERGY CAPITAL HOLDINGS, INC.** | |
| Outlook | Stable |
| Senior Unsecured | Baa1 |
| Bkd Jr Subordinate | Baa2 |
| Bkd Commercial Paper | P-2 |
| **XPLR INFRASTRUCTURE OPERATING PARTNERS, LP** | |
| Outlook | Stable |
| Bkd Senior Unsecured | Ba1/LGD4 |

*Source: Moody's Ratings*

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