



# ENERGY, POWER & INFRASTRUCTURE

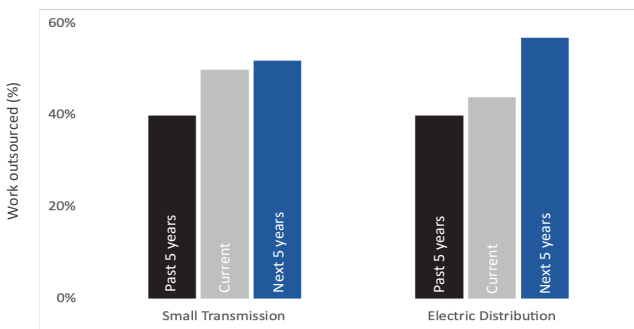
## SUMMARY REPORT

Q3 2023

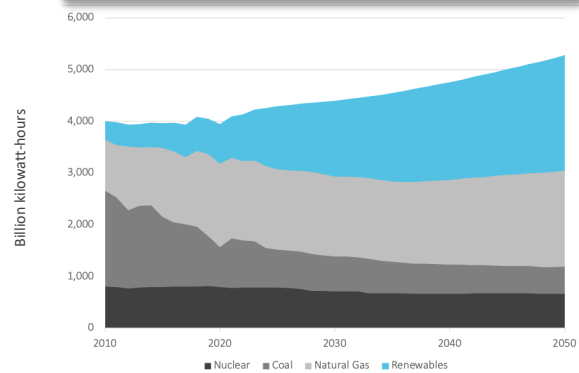
### INDUSTRY TAILWINDS

- Electric utilities on the West Coast are investing significant amounts of capital on adaptation, hardening and resilience (“AHR”) initiatives. AHR is quickly becoming an important way for utilities to supply clean, reliable and affordable energy to customers. Additionally, the rise in severe weather events and natural disasters, such as wildfires, is driving utilities to increase their AHR investments.
- Hotter and drier weather conditions in the Western U.S. have led to fuel loading and other conditions that increase wildfire risk. Several wildfires have been linked to aging power line infrastructure, resulting in significant legal liabilities for these companies.
- Utility companies are now taking meaningful steps and allocating large budgets towards fire-hardening their electrical infrastructure.
- Additionally, an aging and retiring workforce is continuing to impact the number of experienced employees. Companies are deliberately reducing internal workforces and opting to outsource transmission and distribution (“T&D”) work to third-party contractors who have proven to be more efficient and cost-effective than in-house crews.

Increased T&D Workload Outsourced<sup>(1)</sup>



U.S. Electricity Generation From Selected Fuels<sup>(2)</sup>



### ENERGY TRANSITION

- Renewable generation costs have fallen drastically, driven by improving technologies, economies of scale and increasingly competitive supply chains.
- Renewable power generation sites are often located far from demand centers, requiring significant investment in the infrastructure of the power grid.
- As more renewable power generation sites are built there will be an increased demand for power grid T&D services. Renewables provided just over 19% of electricity generation in 2021. This is expected to grow to over 42% by 2050.

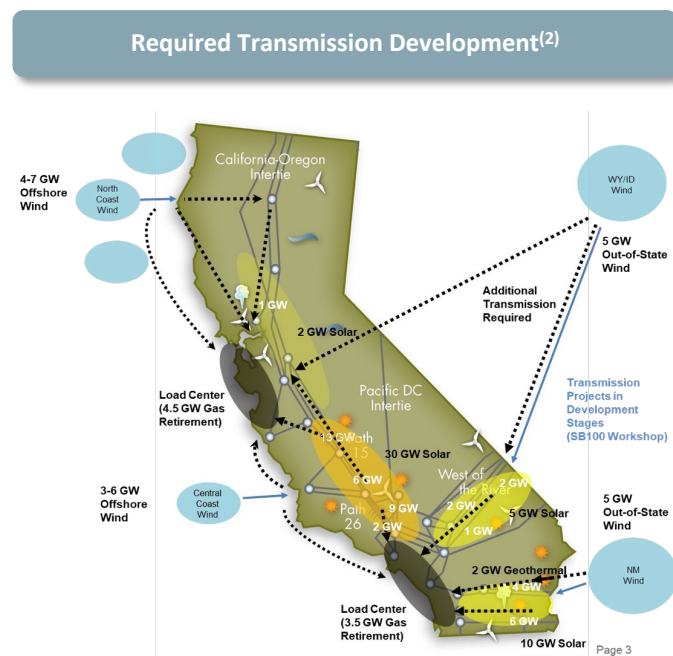
Source: 1) Quanta Services Investor Presentation, August 9, 2022; 2) U.S. Energy Information Administration, Annual Energy Outlook 2022; and RCO research

## INFRASTRUCTURE INVESTMENT AND JOBS ACT

- The \$1.2 trillion Infrastructure Investment and Jobs Act will invest significantly in our nation’s infrastructure over the next decade, including the power grid.
- Over the next 5 years, \$73 billion is planned for energy and power, including the DOE’s “Building a Better Grid Initiative,” which is designed to support building long-distance, high-voltage transmission lines. The DOE announced that the \$2.5 billion Transmission Facilitation loan program will begin accepting proposals for capacity contracts this fall.
- With added goals to bring the U.S. to 100% clean electricity by 2035, the energy transition will require significant investments in T&D infrastructure.

## CALIFORNIA

- U.S. Energy Department recently announced California as one of nine states to receive about \$67.5 billion, or 1/3 of the designated grants to improve grid resilience.
- In 2018 the State of California passed Senate Bill 100, which requires 60% of California’s electric retail sales be comprised of renewable energy and zero-carbon resources by 2030 and 100% by 2045.
- California ISO (“CAISO”) recently published a 20-Year Transmission Outlook (the “Outlook”). The Outlook is based on the planning that nearly 120GW will need to be added to the power grid by 2040 to meet California’s rising demand for electricity, including utility-scale solar, energy storage, geothermal, offshore wind plants and clean-energy resources from out-of-state.
- Initial cost estimates of transmission development upgrades total \$10.7 billion. The upgrades consist of 230 kV, 500 kV AC lines, HVDC lines and substation upgrades. The total increases to \$30.5 billion after including the cost of integrating offshore and out-of-state wind resources.
- This analysis focuses only on high-voltage bulk transmission – local transmission needs will also need to be addressed.



## OREGON

- In 2021, the State of Oregon passed the Clean Energy Targets bill (“HB 2021”), which requires that certain utilities reduce the greenhouse gas emissions associated with the electricity they provide to 90% below baseline emissions levels by 2035 and 100% by 2040.
- Aggressive targets will require investment to upgrade Oregon’s power grid to accommodate new clean energy resources.

1) 20-Year Transmission Outlook, California ISO, January 31, 2022; and RCO research

# PLANNED MULTI-YEAR INVESTMENT



## *Multi-year demand drivers support growing investment in the West Coast power grid*

Aging infrastructure, regulatory tailwinds, grid hardening, and clean energy projects serve as key drivers for continued investment in T&D infrastructure, which is the backbone of a reliable and resilient electrical system. Additionally, with goals to bring the U.S. to 100% clean energy by as early as 2035, significant capital will need to be invested in the T&D infrastructure.



PacifiCorp, a Berkshire Hathaway Energy company, plans to invest more than \$7.4 billion on major transmission projects from 2022-2024. They also recently released their inaugural plan to achieve net-zero emissions in Oregon by 2040.



Portland General Electric forecasts capital expenditures of \$3.9 billion from 2023-2027 to invest in clean energy initiatives, a resilient power grid that can withstand extreme weather events and a centralized urban service area.



Los Angeles Department of Water and Power, the nation's largest municipal utility, voted unanimously in 2021 to transition to 100% clean energy by 2035, increasing their five-year capital improvement plan to approximately \$11.5 billion for fiscal years 2023-2027.



Southern California Edison, an Edison International company, projected to spend \$18.5 - \$19.5 billion from 2023-2025 to support California's leading role in wildfire mitigation and pivoting to a carbon-free economy with over 85% of capital investments in its distribution grid.



Sempra Energy, parent company to SDG&E, announced a \$21.2 billion capital plan for 2022-2026 for their Sempra California business unit which is comprised of SDG&E and SoCalGas to focus on safety, reliability, and clean energy.



PG&E forecasts capital expenditures of \$40 billion - \$63 billion from 2023-2027 to address risk reduction, new business and capacity, system maintenance, emergency response and other initiatives.

Source: Public company filings and RCO research

# RECENT TRANSACTIONS



Date	Target	Acquirer	Target description
5/4/2023			<b>Black &amp; Veatch</b> , an Overland Park, KA-based provider of consulting, engineering, construction, operations and program management, has acquired <b>Bird Electric</b> , an Eastland, TX-based provider of electric utility construction services, from <b>3.5.7.11 Private Equity</b>
3/21/2023			<b>GridSource</b> , a Baton Rouge, LA-based utility contractor, specializing in infrastructure solutions for the telecommunications and gas industries and a <b>Hastings Equity Partners</b> portfolio company, has acquired <b>WiseConnect</b> , an Overland Park, KS-based leading provider of critical solutions for telecommunications companies.
2/10/2023			<b>Jumana Capital</b> , a Houston-TX-based private equity firm, has recapitalized <b>Bright Star Solutions, Inc.</b> , a Sour Lake, TX-based provider of construction and maintenance services for overhead and underground electrical distribution systems for utilities and industrial customers.
11/15/2022			<b>KV Power</b> , an Andrews, TX-based provider of electrical infrastructure services for utility, communication, renewables and energy markets, has acquired <b>Station Electric, Inc. ("SEI")</b> for an undisclosed amount. SEI is a full-service electrical construction and maintenance company, specializing in installing and maintaining electrical substation infrastructure.
11/1/2022			<b>Warren Equity Partners</b> , a Jacksonville, FL-based private equity firm, has recapitalized <b>KV Power</b> , a portfolio company of <b>Rock Hill Capital</b> . KVP is a provider of electrical infrastructure services for utility, communication, renewables, and energy markets.
8/8/2022			<b>United Utility Services</b> , a Charlotte, NC-based provider of specialized electric transmission, distribution and substation utility services and a portfolio company of <b>Bernhard Capital Partners</b> , has acquired <b>BHI Power Delivery</b> , a Weymouth, MA-based provider of specialty utility transmission and distribution services, from <b>Westinghouse Electric Company</b> .
7/25/2022			<b>MasTec, Inc. (NYSE: MTZ)</b> , a Coral Gables, FL- based provider of infrastructure services for utility, communication, renewables, power generation and energy markets, has acquired <b>Infrastructure and Energy Alternatives, Inc. ("IEA")</b> for approximately \$1.1 billion. IEA is a premier services provider in renewable energy and infrastructure solutions, with extensive expertise and capabilities spanning engineering, procurement, construction and other related services.
6/27/2022			<b>Primoris Services (NYSE: PRIM)</b> , a Dallas, TX-based specialty contracting firm that specializes in engineering, procurement, construction and maintenance services, has agreed to acquire <b>PLH Group</b> , an Irving, TX-based construction and specialty contracting firm that specializes in electric transmission, distribution and substation construction services.
5/2/2022	 		<b>GridTek Utility Services</b> , a leading provider of electrical transmission and distribution maintenance, repair and upgrade services for utility and industrial customers, and a <b>First Reserve</b> portfolio company, acquired <b>American Power, LLC</b> , and <b>Valiant Energy Service</b> to expand their electrical distribution maintenance services in the Northeast and Southeastern U.S.

Source: Public company filings; Company press releases; and RCO research

# ROMANCHUK & CO. FIRM CAPABILITIES



Romanchuk & Co. is a boutique investment banking firm providing strategic advisory services to our clients across the middle-market, including sourcing, initiating, structuring and negotiating mergers and acquisitions, raising capital, as well as providing valuation and restructuring services. Our team of licensed investment banking professionals specializes in advising owners and

investors of privately-held businesses, private equity firms and corporations on the preparation and sale of their company, facilitating mergers and acquisitions, guiding companies through capital raises, and assisting in identifying and executing upon strategic opportunities. For more information, please visit our website at [www.romanchukco.com](http://www.romanchukco.com).

## INDUSTRY EXPERTISE

Our most recently closed deals showcase our firm's unique ability to execute transactions across the utility services sector while maximizing value for our clients in the middle-market. Drawing on our collective industry experience, Romanchuk & Co. is focused on providing creative, impactful M&A strategies to our clients across the diversified industrials sector.



## INDUSTRY RECOGNITION



Romanchuk & Co.'s recent transaction "Front Line Power Construction Acquired by Orbital Infrastructure Group" was selected as the 2022 Utility, Power & Infrastructure Deal of the Year by the Houston Chapter of the Association for Corporate Growth. The transaction was also selected as the winner of the Houston Impact Award, which recognizes the transaction that drives the most middle-market growth in the Houston region.

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