UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K/A
Amendment No. 1

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2022

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from to

Commission File Number: 001-35877

HANNON ARMSTRONG SUSTAINABLE INFRASTRUCTURE CAPITAL, INC.
(Exact name of registrant as specified in its charter)

Maryland	**46-1347456**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**
One Park Place **Suite 200** **Annapolis MD**	**21401**
(Address of principal executive offices)	**(Zip Code)**

(410) 571-9860
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, $0.01 par value per share	HASI	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act:
None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☒ No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act. Yes ☐ No ☒

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer", "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☒	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☐
		Emerging growth company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal controls over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☒

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

As of June 30, 2022, the aggregate market value of the registrant's common stock (includes unvested restricted stock) held by non-affiliates of the registrant was $ 3.3 billion based on the closing sales price of the registrant's common stock on June 30, 2022 as reported on the New York Stock Exchange.

On March 27, 2023, the registrant had a total of 91,809,494 shares of common stock, $0.01 par value, outstanding (which includes 151,672 shares of unvested restricted common stock).

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's proxy statement for the 2023 annual meeting of stockholders are incorporated by reference into Part III of this Annual Report on Form 10-K.

Auditor Name:	Ernst & Young LLP	Auditor Location:	Tysons, VA	PCAOB ID:	42

AMENDMENT NO. 1

EXPLANATORY NOTE

Hannon Armstrong Sustainable Infrastructure Capital, Inc. (the "Company," "we," "our," or "us") is filing this amendment (the "Form 10-K/A") to our Annual Report on Form 10-K for the year ended December 31, 2022, originally filed with the Securities and Exchange Commission ("SEC") on February 21, 2023 (the "Original Form 10-K"), solely for the purpose of complying with Regulation S-X, Rule 3-09 ("Rule 3-09"). Rule 3-09 requires that Form 10-K contain separate financial statements for unconsolidated subsidiaries and investees accounted for by the equity method when such entities are individually significant.

We have determined that our equity method investment in Lighthouse Renewable HoldCo II LLC and its subsidiaries, which is not consolidated in our financial statements, was significant under the income test of Rule 3-09 in relationship to our financial results for the year ended December 31, 2022, that our equity method investments in each of Vivint Solar Asset 3 HoldCo Parent, LLC and its subsidiaries and Rosie TargetCo, LLC and its subsidiaries, which are not consolidated in our financial statements, were significant under the income test of Rule 3-09 in relationship to our financial results for the year ended December 31, 2021, and that our equity method investment in SunStrong Capital Holdings, LLC and its subsidiaries, which is not consolidated in our financial statements, was significant under the income test of Rule 3-09 in relationship to our financial results for the year ended December 31, 2020. Since the financial statements as of and for the year ended December 31, 2022, of the aforementioned investees were not available until after the date of the filing of our Original Form 10-K, Rule 3-09 provides that the financial statements may be filed as an amendment to our Original Form 10-K within 90 days after the end of our fiscal year ended December 31, 2022. Therefore, this Form 10-K/A amends Item 15 of our Original Form 10-K filed on February 21, 2023, to include the following Exhibits:

- Exhibit 23.2 -- Consent of Ernst & Young LLP for the consolidated financial statements of Vivint Solar Asset 3 HoldCo Parent, LLC
- Exhibit 23.3 -- Consent of Ernst & Young LLP for the consolidated financial statements of Rosie TargetCo, LLC
- Exhibit 23.4 -- Consent of KPMG LLP for the consolidated financial statements of Rosie TargetCo, LLC
- Exhibit 23.5 -- Consent of KPMG LLP for the consolidated financial statements of SunStrong Capital Holdings, LLC
- Exhibit 23.6 -- Consent of Ernst & Young LLP for the consolidated financial statements of Lighthouse Renewable HoldCo II LLC
- Exhibit 99.1 -- Consolidated financial statements as of December 31, 2022, 2021, and 2020 and for the years ended December 31, 2022 and 2021 and for the period from October 9, 2020 to December 31, 2020 of Vivint Solar Asset 3 HoldCo Parent, LLC and its subsidiaries
- Exhibit 99.2 -- Consolidated financial statements as of December 31, 2022 and 2021, and for the years then ended for Rosie TargetCo LLC and its subsidiaries
- Exhibit 99.3 -- Consolidated financial statements as of December 31, 2020 and for the year then ended of Rosie TargetCo LLC and its subsidiaries
- Exhibit 99.4 -- Consolidated financial statements as of December 31, 2022 and 2021 and for the three years ended December 31, 2022, of SunStrong Capital Holdings, LLC and its subsidiaries
- Exhibit 99.5 -- Consolidated financial statements as of December 31, 2022 and 2021 and for the years then ended of Lighthouse Renewable HoldCo II LLC and its subsidiaries

This Form 10-K/A does not amend or otherwise update any other information in the Original Form 10-K (including its exhibits, except for Exhibits 31.1, 31.2, 32.1 and 32.2). Accordingly, this Form 10-K/A should be read in conjunction with our Original Form 10-K and with our filings with the SEC subsequent to the Original Form 10-K filing. In addition, in accordance with applicable rules and regulations promulgated by the SEC, this Form 10-K/A includes updated certifications from our Chief Executive Officer and Chief Financial Officer as Exhibits 31.1, 31.2, 32.1 and 32.2.

Item 15. Exhibits and Financial Statement Schedules

Documents filed as part of the report

The following documents are filed as part of this Form 10-K/A in Part II, Item 8 and are incorporated by reference:

(a)(1) Financial Statements:

See index in Item 8—"Financial Statements and Supplementary Data," filed with the Original Form 10-K for a list of financial statements.

(3) Exhibits Files:

Exhibit number	Exhibit description
3.1	Articles of Amendment and Restatement of Hannon Armstrong Sustainable Infrastructure Capital, Inc. (incorporated by reference to Exhibit 3.1 to the Registrant's Form 10-Q for the quarter ended June 30, 2013 (No. 001-35877), filed on August 9, 2013)
3.2	Bylaws of Hannon Armstrong Sustainable Infrastructure Capital, Inc. (incorporated by reference to Exhibit 3.2 to the Registrant's Form 10-Q for the quarter ended June 30, 2013 (No. 001-35877), filed on August 9, 2013)
3.3	Amended and Restated Agreement of Limited Partnership of Hannon Armstrong Sustainable Infrastructure, L.P. (incorporated by reference to Exhibit 3.3 to the Registrant's Form 10-Q for the quarter ended June 30, 2013 (No. 001-35877), filed on August 9, 2013)
4.1	Specimen Common Stock Certificate of Hannon Armstrong Sustainable Infrastructure Capital, Inc. (incorporated by reference to Exhibit 4.1 to Amendment No. 3 to the Registrant's Form S-11 (No. 333-186711), filed on April 12, 2013)
4.2	Description of Hannon Armstrong Sustainable Infrastructure Capital, Inc.'s Securities Registered Pursuant to Section 12 of the Securities Exchange Act of 1934 (incorporated by reference to Exhibit 4.2 to the Registrant's Form 10-K (No. 001-35877), filed on February 25,2020)
4.3	Indenture, dated as of August 22, 2017, between Hannon Armstrong Sustainable Infrastructure Capital, Inc. and U.S. Bank National Association, as Trustee (incorporated by reference to Exhibit 4.1 to the Registrant's Form 8-K (No. 001-35877), filed on August 22, 2017)
4.4	First Supplemental Indenture, dated as of August 22, 2017, between Hannon Armstrong Sustainable Infrastructure Capital, Inc. and U.S. Bank National Association, as Trustee (including the form of 4.125% Convertible Senior Note due 2022) (incorporated by reference to Exhibit 4.2 to the Registrant's Form 8-K (No. 001-35877), filed on August 22, 2017)
4.5	Indenture, dated as of July 2, 2019 between HAT Holdings I LLC and HAT Holdings II LLC, as issuers, and Hannon Armstrong Sustainable Infrastructure capital, Inc., Hannon Armstrong Sustainable Infrastructure, LP., and Hannon Armstrong Capital, LLC, as guarantors, and U.S. Bank National Association, as trustee (including the form of HAT Holdings I LLC and HAT Holdings II LLC's 5.25% Senior Notes due 2024) (incorporated by reference to Exhibit 4.1 to the Registrant's Form 8-K (No. 001-35877), filed on July 2, 2019)
4.6	Second Supplemental Indenture, dated as of August 21, 2020, between Hannon Armstrong Sustainable Infrastructure Capital, Inc. and U.S. Bank National Association, as Trustee (including the form of Hannon Armstrong Sustainable Infrastructure Capital, Inc.'s 0% Convertible Senior Note due 2023) (incorporated by reference to Exhibit 4.1 to the Registrant's Form 8-K (No. 001-35877), filed on August 21, 2020).
4.7	Indenture, dated as of August 25, 2020, between HAT Holdings I LLC and HAT Holdings II LLC, as issuers, and Hannon Armstrong Sustainable Infrastructure Capital, Inc., Hannon Armstrong Sustainable Infrastructure, L.P., and Hannon Armstrong Capital, LLC, as guarantors, and U.S. Bank National Association, as trustee (including the form of HAT Holdings I LLC and HAT Holdings II LLC's 3.750% Senior Notes due 2030) (incorporated by reference to Exhibit 4.1 on the Registrant's Form 8-K (No. 011-35877), filed on August 25, 2020).
4.8	Indenture, dated as of June 28, 2021, between HAT Holdings I LLC and HAT Holdings II LLC, as issuers, and Hannon Armstrong Sustainable Infrastructure Capital, Inc., Hannon Armstrong Sustainable Infrastructure, L.P., and Hannon Armstrong Capital, LLC, as guarantors, and U.S. Bank National Association, as trustee (including the form of HAT Holdings I LLC and HAT Holdings II LLC's 3.375% Senior Notes due 2026) (incorporated by reference to Exhibit 4.1 on the Registrant's Form 8-K (No. 011-35877), filed on June 28, 2021).
4.9	Indenture, dated as of April 13, 2022 by and among HAT Holdings I LLC and HAT Holdings II LLC, as issuers, and Hannon Armstrong Sustainable Infrastructure Capital, Inc., Hannon Armstrong Sustainable Infrastructure, L.P., and Hannon Armstrong Capital, LLC, as guarantors, and U.S. Bank Trust Company, National Association, as trustee (incorporated by reference to Exhibit 4.1 on the Registrant's Form 8-K (No. 011-35877) filed on April 15, 2022)
4.10	First Supplemental Indenture, dated as of April 13, 2022 by and among HAT Holdings I LLC and HAT Holdings II LLC, as issuers, and Hannon Armstrong Sustainable Infrastructure Capital, Inc., Hannon Armstrong Sustainable Infrastructure, L.P., and Hannon Armstrong Capital, LLC, as guarantors, and U.S. Bank Trust Company, National Association, as trustee (including the form of HAT Holdings I LLC's and HAT Holdings II LLC's 0.00% Green Exchangeable Senior Note due 2025) (incorporated by reference to Exhibit 4.2 on the Registrant's Form 8-K (No. 011-35877) filed on April 15, 2022)
10.1	Form of Indemnification Agreement (incorporated by reference to Exhibit 10.5 to Amendment No. 3 to the Registrant's Form S-11 (No. 333-186711), filed on April 12, 2013)

10.2	Amended and Restated 2013 Hannon Armstrong Sustainable Infrastructure Capital, Inc. Equity Incentive Plan (incorporated by reference to Exhibit 10.1 to the Registrant's Form 10-Q for the quarter ended March 31, 2017 (No. 001-35877), filed on May 4, 2017)
10.3	2022 Hannon Armstrong Sustainable Infrastructure Capital, Inc. Equity Incentive Plan (incorporated by reference to Exhibit 10.1 to the Registrant's Form 8-K (No. 001-35877), filed on June 7, 2022)
10.4	Restricted Stock Award Agreement dated April 23, 2013 between Hannon Armstrong Sustainable Infrastructure Capital, Inc. and Jeffrey W. Eckel (incorporated by reference to Exhibit 10.2 to the Registrant's Form 10-Q for the quarter ended June 30, 2013 (No. 001-35877), filed on August 9, 2013)
10.5	Form of Restricted Stock Award Agreement (Executive Officers) (incorporated by reference to Exhibit 10.3 to the Registrant's Form 10-Q for the quarter ended June 30, 2013 (No. 001-35877), filed on August 9, 2013)
10.6	Form of Restricted Stock Award Agreement (Non-employee Directors) (incorporated by reference to Exhibit 10.4 to the Registrant's Form 10-Q for the quarter ended June 30, 2013 (No. 001-35877), filed on August 9, 2013)
10.7	Amended and Restated Form of Restricted Stock Unit Award Agreement (incorporated by reference to Exhibit 10.2 to the Registrant's Form 10-Q for the quarter ended March, 31 2017 (No. 001-35877), filed on May 4, 2017)
10.8	Registration Rights Agreement, dated April 23, 2013, by and among Hannon Armstrong Sustainable Infrastructure Capital, Inc. and the parties listed on Schedule I thereto (incorporated by reference to Exhibit 10.6 to the Registrant's Form 10-Q for the quarter ended June 30, 2013 (No. 001-35877), filed on August 9, 2013)
10.9	Employment Agreement, dated April 17, 2013, by and between Hannon Armstrong Sustainable Infrastructure Capital, Inc. and Steven L. Chuslo (incorporated by reference to Exhibit 10.9 to the Registrant's Form 10-Q for the quarter ended June 30, 2013 (No. 001-35877), filed on August 9, 2013)
10.10	Employment Agreement, dated April 17, 2013, by and between Hannon Armstrong Sustainable Infrastructure Capital, Inc. and Nathaniel J. Rose (incorporated by reference to Exhibit 10.10 to the Registrant's Form 10-Q for the quarter ended June 30, 2013 (No. 001-35877), filed on August 9, 2013)
10.11	Employment Agreement, dated April 17, 2013, by and between Hannon Armstrong Sustainable Infrastructure Capital, Inc. and Daniel McMahon (incorporated by reference to Exhibit 10.3 to the Registrant's Form 10-Q for the quarter ended June 30, 2015 (No. 001-35877), filed on August 7, 2015)
10.12	Indemnity Agreement, dated as of September 30, 2015, by Hannon Armstrong Sustainable Infrastructure Capital, Inc. in favor of the Bank of New York Mellon (incorporated by reference to Exhibit 10.7 to the Registrant's Form 10-Q for the quarter ended September 30, 2015 (No. 001-35877), filed on November 5, 2015)
10.13	Employment Agreement, dated March 15, 2017, by and between Hannon Armstrong Sustainable Infrastructure Capital, Inc. and Charles Melko (incorporated by reference to Exhibit 10.3 to the Registrant's Form 10-Q for the quarter ended March 31, 2017 (No. 001-35877), filed on May 4, 2017)
10.14	Form of Amended and Restated Restricted Stock Unit Agreement (incorporated by reference to Exhibit 10.57 to the Registrant's Form 10-K (No. 001-35877) for the year ended December, 31, 2017, filed on February 23, 2018)
10.15	Loan Agreement (Rep-Based), dated as of December 13, 2018 by and among certain subsidiaries of the Company, Bank of America, N.A., as administrative agent, and each lender from time to time party thereto (incorporated by reference to Exhibit 10.26 on the Registrant's Form 10-K (No. 001-35877) for the year ended December 31, 2018, filed on February 22, 2019)
10.16	Loan Agreement (Approval-Based), data as of December 13, 2018, by and among certain subsidiaries of the Company, Bank of America, N.A., as administrative agent, and each lender from time to time party thereto (incorporated by reference to Exhibit 10.27 on the Registrant's Form 10-K (No. 001-35877) for the year ended December 31, 2018, filed on February 22, 2019)
10.17	Limited Guaranty (Rep-Based), dated as of December 13, 2018, by the Company and Hannon Armstrong Capital, LLC (incorporated by reference to Exhibit 10.28 on the Registrant's Form 10-K (No. 001-35877) for the year ended December 31, 2018, filed on February 22, 2019)
10.18	Guaranty (Approval-Based), dated as of December 13, 2018, by the Company and Hannon Armstrong Capital, LLC (incorporated by reference to Exhibit 10.29 on the Registrant's Form 10-K (No. 001-35877) for the year ended December 31, 2018, filed on February 22, 2019)
10.19	Credit Agreement, dated as of April 19, 2021, by and among the Company, certain subsidiaries of the Company, JPMorgan Chase Bank, N.A. as administrative agent, sole bookrunner, sole lead arranger and sustainability structuring agent, Bank of America, N.A., Barclays Bank PLC, Credit Suisse AG, New York Branch, KeyBank National Association, Morgan Stanley Senior Funding, Inc., Royal Bank of Canada, Sumitomo Mitsui Banking Corporation and Wells Fargo Bank, National Association, as documentation agents, and each lender from time to time party thereto (incorporated by reference to Exhibit 1.1 on the Registrant's Form 8-K (No. 011-35877), filed on April 20, 2021)

10.20	Form of LTIP Unit Vesting Agreement under the 2013 Hannon Armstrong Sustainable Infrastructure Capital, Inc. Equity Incentive Plan (incorporated by reference to Exhibit 10.2 to the Registrant's Form 10-Q for the quarter ended March 31, 2019 (No. 001-35877), filed on May 3, 2019)
10.21	Form of Hannon Armstrong Sustainable Infrastructure, L.P. Time-Based LTIP Unit Award Agreement (incorporated by reference to Exhibit 10.3 to the Registrant's Form 10-Q for the quarter ended March 31, 2019 (No. 001-35877), filed on May 3, 2019)
10.22	Form of Hannon Armstrong Sustainable Infrastructure, L.P. Performance-Based LTIP Unit Award Agreement (incorporated by reference to Exhibit 10.4 to the Registrant's Form 10-Q for the quarter ended March 31, 2019 (No. 001-35877), filed on May 3, 2019)
10.23	Letter Agreement, dated as of January 6, 2021, between J. Brendan Herron, Hannon Armstrong Sustainable Infrastructure Capital, Inc. and Hannon Armstrong Capital Inc. (incorporated by reference to Exhibit 10.1 to the Registrant's Form 10-Q for the quarter ended March 31, 2021 (No. 001-35877), filed on May 7, 2021)
10.24	Employment Agreement, dated June 30, 2021, by and between Hannon Armstrong Sustainable Infrastructure Capital, Inc. and Susan D. Nickey (incorporated by reference to Exhibit 10.3 to the Registrant's Form 10-Q for the quarter ended June 30, 2021 (No. 001-35877), filed on August 6, 2021)
10.25	At Market Issuance Sales Agreement, dated May 13, 2020, by and between Hannon Armstrong Sustainable Infrastructure Capital, Inc., B. Riley FBR, Inc., Robert W. Baird & Co. Incorporated, BofA Securities, Inc., Loop Capital Markets LLC, SMBC Nikko Securities America, Inc. and Nomura Securities International, Inc. (incorporated by reference to Exhibit 1.1 to the Registrant's Form 8-K (No. 001-35877), filed on May 13, 2020)
10.26	Amendment No. 1 to the At Market Issuance Sales Agreement, dated February 26, 2021, by and among Hannon Armstrong Sustainable Infrastructure Capital, Inc., B. Riley Securities, Inc., Robert W. Baird & Co. Incorporated, BofA Securities, Inc., Loop Capital Markets LLC, SMBC Nikko Securities America, Inc. and Nomura Securities International, Inc. (incorporated by reference to Exhibit 1.2 to the Registrant's Form 8-K (No. 001-35877), filed on March 1, 2021)
10.27	Credit Agreement, dated as of February 7, 2022, by and among the Company, certain subsidiaries of the Company, JPMorgan Chase Bank, N.A. as administrative agent, sole bookrunner, sole lead arranger and sustainability structuring agent, Bank of America, N.A., Barclays Bank PLC, Credit Suisse AG, New York Branch, KeyBank National Association, Morgan Stanley Senior Funding, Inc., Royal Bank of Canada, Sumitomo Mitsui Banking Corporation and Wells Fargo Bank, National Association, as documentation agents, and each lender from time to time party thereto (incorporated by reference to Exhibit 1.1 to the Registrant's Form 8-K (No. 001-35877), filed on February 11, 2022.
10.28	Registration Rights Agreement, dated as of April 13, 2022, by and among HAT Holdings I LLC, HAT Holdings II LLC, and Hannon Armstrong Sustainable Infrastructure Capital, Inc. and the initial purchasers party thereto. (incorporated by reference to Exhibit 10.1 on the Registrant's Form 8-K (No. 011-35877) filed on April 15, 2022)
10.29	Amendment No. 2 to the At Market Issuance Sales Agreement, dated March 1, 2022, by and among Hannon Armstrong Sustainable Infrastructure Capital, Inc., B. Riley Securities, Inc., Robert W. Baird & Co. Incorporated, BofA Securities, Inc., Loop Capital Markets LLC, SMBC Nikko Securities America, Inc. and Nomura Securities International, Inc. (incorporated by reference to Exhibit 1.3 to the Registrant's Form 8-K (No. 001-35877), filed on March 2, 2022)
10.30	Amended and Restated Employment Agreement, dated February 14, 2023, by and between Hannon Armstrong Sustainable Infrastructure Capital, Inc. and Jeffrey Eckel (incorporated by reference to Exhibit 10.30 to the Registrant's Form 10-K (No.35877), filed on February 21, 2023)
10.31	Amended and Restated Employment Agreement, dated February 14, 2023, by and between Hannon Armstrong Sustainable Infrastructure Capital, Inc. and Jeffrey Lipson (incorporated by reference to Exhibit 10.31 to the Registrant's Form 10-K (No.35877), filed on February 21, 2023)
10.32	Amended and Restated Employment Agreement, dated February 14, 2023, by and between Hannon Armstrong Sustainable Infrastructure Capital, Inc. and Marc Pangburn (incorporated by reference to Exhibit 10.32 to the Registrant's Form 10-K (No.35877), filed on February 21, 2023)
21.1	List of subsidiaries of Hannon Armstrong Sustainable Infrastructure Capital, Inc. (incorporated by reference to Exhibit 21.1 to the Registrant's Form 10-K (No. 001-35877), filed on February 21, 2023)
23.1	Consent of Ernst & Young LLP for Hannon Armstrong Sustainable Infrastructure Capital, Inc. (incorporated by reference to Exhibit 23.1 to the Registrant's Form 10-K (No. 001-35877), filed on February 21, 2023)
23.2*	Consent of Ernst & Young LLP for Vivint Solar Asset 3 HoldCo Parent, LLC
23.3*	Consent of Ernst & Young LLP for Rosie TargetCo, LLC
23.4*	Consent of KPMG LLP for Rosie TargetCo, LLC
23.5*	Consent of KPMG LLP for SunStrong Capital Holdings, LLC
23.6*	Consent of Ernst & Young LLP for Lighthouse Renewable HoldCo, II LLC

24.1	Power of Attorney (incorporated by reference to Exhibit 24.1 to the Registrant's Form 10-K (No. 001-35877), filed on February 22, 2022)
31.1*	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes—Oxley Act of 2002
31.2*	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes—Oxley Act of 2002
32.1**	Certification of Chief Executive Officer pursuant to section 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes—Oxley Act of 2002
32.2**	Certification of Chief Financial Officer pursuant to section 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes—Oxley Act of 2002
99.1*	Consolidated financial statements as of December 31, 2022 and 2021 and for the years ended December 31, 2022 and 2021 and for the period from October 9, 2020 to December 31, 2020 of Vivint Solar Asset 3 HoldCo Parent, LLC and its subsidiaries
99.2*	Consolidated financial statements as of December 31, 2022 and 2021 and for the years then ended of Rosie TargetCo, LLC andits subsidiaries
99.3*	Consolidated financial statements as of December 31, 2020 and for the year then ended of Rosie TargetCo, LLC andits subsidiaries
99.4*	Consolidated financial statements as of December 31, 2022 and 2021 and for the three years ended December 31, 2022, of SunStrong Capital Holdings, LLC and its subsidiaries
99.5*	Consolidated financial statements as of December 31, 2022 and 2021 and for the years then ended of Lighthouse Renewable HoldCo II LLC and its subsidiaries
101.SCH	Inline XBRL Taxonomy Extension Schema (incorporated by reference to Exhibit 101.SCH to the Registrant's Form 10-K (No. 001-35877), filed on February 21, 2023)
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase (incorporated by reference to Exhibit 101.CAL to the Registrant's Form 10-K (No. 001-35877), filed on February 21, 2023)
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase (incorporated by reference to Exhibit 101.DEF to the Registrant's Form 10-K (No. 001-35877), filed on February 21, 2023)
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase (incorporated by reference to Exhibit 101.LAB to the Registrant's Form 10-K (No. 001-35877), filed on February 21, 2023)
101 PRE	Inline XBRL Taxonomy Extension Presentation Linkbase
104	Cover Page Interactive Data File Included as Exhibit 101 (embedded within the Inline XBRL document)

* Filed herewith.

** Furnished with this report.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

HANNON ARMSTRONG SUSTAINABLE INFRASTRUCTURE CAPITAL, INC.
(Registrant)

Date: March 31, 2023

/s/ Jeffrey A. Lipson
Jeffrey A. Lipson
Chief Executive Officer and President

/s/ Marc T. Pangburn
Marc T. Pangburn
Chief Financial Officer and Executive Vice President

/s/ Charles W. Melko
Charles W. Melko
Chief Accounting Officer, Treasurer and Senior Vice President

Consent of Independent Auditors

We consent to the incorporation by reference in the following Registration Statements:

- Registration Statement (Form S-3 No. 333-198158) of Hannon Armstrong Sustainable Infrastructure Capital, Inc.,
- Registration Statement (Form S-8 No. 333-212913) pertaining to the 2013 Hannon Armstrong Sustainable Infrastructure Capital, Inc. Equity Incentive Plan,
- Registration Statement (Form S-8 No. 333-230548) pertaining to the 2013 Hannon Armstrong Sustainable Infrastructure Capital, Inc. Equity Incentive Plan,
- Registration Statement (Form S-3ASR No. 333-263169) of Hannon Armstrong Sustainable Infrastructure Capital, Inc.,
- Registration Statement (Form S-3ASR No. 333-265594) of Hannon Armstrong Sustainable Infrastructure Capital, Inc.,
- Registration Statement (Form S-8 No. 333-265595) pertaining to the 2022 Hannon Armstrong Sustainable Infrastructure Capital, Inc. Equity Incentive Plan, and
- Registration Statement (Form S-3ASR No. 333-269145) of Hannon Armstrong Sustainable Infrastructure Capital, Inc.

of our report dated March 30, 2022, with respect to the consolidated financial statements of Vivint Solar Asset 3 HoldCo Parent, LLC for the year ended December 31, 2021, included in the Annual Report (Form 10-K/A) of Hannon Armstrong Sustainable Infrastructure Capital, Inc. for the year ended December 31, 2022.

Ernst + Young LLP

Salt Lake City, Utah
March 29, 2023

Consent of Independent Auditors

We consent to the incorporation by reference in the following Registration Statements:

(1) Registration Statement (Form S-3 No. 333-198158) of Hannon Armstrong Sustainable Infrastructure Capital, Inc.,
(2) Registration Statement (Form S-8 No. 333-212913) pertaining to the 2013 Hannon Armstrong Sustainable Infrastructure Capital, Inc. Equity Incentive Plan,
(3) Registration Statement (Form S-8 No. 333-230548) pertaining to the 2013 Hannon Armstrong Sustainable Infrastructure Capital, Inc. Equity Incentive Plan,
(4) Registration Statement (Form S-3ASR No. 333-263169) of Hannon Armstrong Sustainable Infrastructure Capital, Inc.,
(5) Registration Statement (Form S-3ASR No. 333-265594) of Hannon Armstrong Sustainable Infrastructure Capital, Inc.,
(6) Registration Statement (Form S-8 No. 333-265595) pertaining to the 2022 Hannon Armstrong Sustainable Infrastructure Capital, Inc. Equity Incentive Plan, and
(7) Registration Statement (Form S-3ASR No. 333-269145) of Hannon Armstrong Sustainable Infrastructure Capital, Inc.

of our report dated March 24, 2023, with respect to the consolidated financial statements of Rosie TargetCo LLC and subsidiaries included in this Annual Report (Form 10-K/A) of Hannon Armstrong Sustainable Infrastructure Capital, Inc. for the year ended December 31, 2022.

Ernst + Young LLP

Philadelphia, Pennsylvania

March 24, 2023

KPMG LLP
1601 Market Street
Philadelphia, PA 19103-2499

Consent of Independent Auditors

We consent to the incorporation by reference in the registration statements (No. 333-198158) on Form S-3 of Hannon Armstrong Sustainable Infrastructure Capital, Inc., (No. 333-230548) on Form S-8 of Hannon Armstrong Sustainable Infrastructure Capital, Inc. Equity Incentive Plan, (No. 333-212913) on Form S-8 of Hannon Armstrong Sustainable Infrastructure Capital, Inc. Equity Incentive Plan, (No. 333-265595) on Form S-8 of Hannon Armstrong Sustainable Infrastructure Capital, Inc. Equity Incentive Plan, (No. 333-269145) on Form S-8 of Hannon Armstrong Sustainable Infrastructure Capital, Inc. Equity Incentive Plan, (No. 333-265594) on Form S-3ASR of Hannon Armstrong Sustainable Infrastructure Capital, Inc., and (No. 333-263169) on Form S-3ASR of Hannon Armstrong Sustainable Infrastructure Capital, Inc. of our report dated April 29, 2021, with respect to the consolidated financial statements of Rosie TargetCo, LLC and subsidiaries, which report appears in the December 31, 2022 annual report on Form 10-K/A of Hannon Armstrong Sustainable Infrastructure Capital, Inc. dated March 31, 2023.

KPMG LLP

Philadelphia, Pennsylvania
March 30, 2023

KPMG

KPMG LLP
Suite 1400
55 Second Street
San Francisco, CA 94105

Consent of Independent Auditors

We consent to the incorporation by reference in the registration statements No. 333-265595, 333-212913 and 333-230548 on Form S-8 of Hannon Armstrong Sustainable Infrastructure Capital, Inc. Equity Incentive Plan, and No. 333-198158 on Form S-3 and No. 333-269145, 333-263169 and 333-265594 on Form S-3ASRs of Hannon Armstrong Sustainable Infrastructure Capital, Inc., of our audit report dated March 29, 2023, with respect to the consolidated balance sheets of SunStrong Capital Holdings, LLC as of December 31, 2022 and 2021, and the related consolidated statements of comprehensive income (loss), changes in members' equity, and cash flows for each of the years in the three-year period ended December 31, 2022, and the related notes, which appears in this Annual Report on Form 10-K/A of Hannon Armstrong Sustainable Infrastructure Capital, Inc., for the year ended December 31, 2022.

KPMG LLP

San Francisco, California
March 29, 2023

Consent of Independent Auditors

We consent to the incorporation by reference in the following Registration Statements:

(1) Registration Statement (Form S-3 No. 333-198158) of Hannon Armstrong Sustainable Infrastructure Capital, Inc.,
(2) Registration Statement (Form S-8 No. 333-212913) pertaining to the 2013 Hannon Armstrong Sustainable Infrastructure Capital, Inc. Equity Incentive Plan,
(3) Registration Statement (Form S-8 No. 333-230548) pertaining to the 2013 Hannon Armstrong Sustainable Infrastructure Capital, Inc. Equity Incentive Plan,
(4) Registration Statement (Form S-3ASR No. 333-263169) of Hannon Armstrong Sustainable Infrastructure Capital, Inc.,
(5) Registration Statement (Form S-3ASR No. 333-265594) of Hannon Armstrong Sustainable Infrastructure Capital, Inc.,
(6) Registration Statement (Form S-8 No. 333-265595) pertaining to the 2022 Hannon Armstrong Sustainable Infrastructure Capital, Inc. Equity Incentive Plan, and
(7) Registration Statement (Form S-3ASR No. 333-269145) of Hannon Armstrong Sustainable Infrastructure Capital, Inc.

of our report dated March 24, 2023, with respect to the consolidated financial statements of Lighthouse Renewable HoldCo 2 LLC and subsidiaries included in this Annual Report (Form 10-K/A) of Hannon Armstrong Sustainable Infrastructure Capital, Inc. for the year ended December 31, 2022.

Ernst + Young LLP

Philadelphia, Pennsylvania

March 24, 2023

EXHIBIT 31.1
CERTIFICATIONS

I, Jeffrey A. Lipson, certify that:

1. I have reviewed this Annual Report on Form 10-K/A of Hannon Armstrong Sustainable Infrastructure Capital, Inc. (the “registrant”);

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant’s other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a–15(e) and 15d–15(e)) and internal controls over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c. Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d. Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an Annual Report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5. The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the Audit Committee of the registrant’s board of directors (or persons performing the equivalent functions):

    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and

    b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: March 31, 2023

By: /s/ Jeffrey A. Lipson
Name: Jeffrey A. Lipson
Title: Chief Executive Officer and President

EXHIBIT 31.2
CERTIFICATIONS

I, Marc T. Pangburn, certify that:

1. I have reviewed this Annual Report on Form 10-K/A of Hannon Armstrong Sustainable Infrastructure Capital, Inc. (the "registrant");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a–15(e) and 15d–15(e)) and internal controls over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an Annual Report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the Audit Committee of the registrant's board of directors (or persons performing the equivalent functions):

   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 31, 2023

By: /s/ Marc T. Pangburn
Name: Marc T. Pangburn
Title: Chief Financial Officer and Executive Vice President

EXHIBIT 32.1
CERTIFICATION PURSUANT TO SECTION 906
OF THE SARBANES-OXLEY ACT OF 2002, 10 U.S.C. SECTION 1350

In connection with the Annual Report on Form 10-K/A of Hannon Armstrong Sustainable Infrastructure Capital, Inc. (the "Company") for the period ended December 31, 2021 to be filed with the Securities and Exchange Commission on or about the date hereof (the "report"), I, Jeffrey A. Lipson, Chief Executive Officer and President of the Company, certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350, that:

1. The report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the report fairly presents, in all material respects, the financial condition and results of operations of the Company.

It is not intended that this statement be deemed to be filed for purposes of the Securities Exchange Act of 1934.

Date: March 31, 2023

By: /s/ Jeffrey A. Lipson
Name: Jeffrey A. Lipson
Title: Chief Executive Officer and President

EXHIBIT 32.2
CERTIFICATION PURSUANT TO SECTION 906
OF THE SARBANES-OXLEY ACT OF 2002, 10 U.S.C. SECTION 1350

In connection with the Annual Report on Form 10-K/A of Hannon Armstrong Sustainable Infrastructure Capital, Inc. (the "Company") for the period ended December 31, 2021 to be filed with the Securities and Exchange Commission on or about the date hereof (the "report"), I, Marc T. Pangburn, Chief Financial Officer and Executive Vice President of the Company, certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350, that:

1. The report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the report fairly presents, in all material respects, the financial condition and results of operations of the Company.

It is not intended that this statement be deemed to be filed for purposes of the Securities Exchange Act of 1934.

Date: March 31, 2023

By:	/s/ Marc T. Pangburn
Name:	Marc T. Pangburn
Title:	Chief Financial Officer and Executive Vice President

CONSOLIDATED FINANCIAL STATEMENTS

Vivint Solar Asset 3 Holdco Parent, LLC

(A Delaware Limited Liability Company)

As of December 31, 2022 (unaudited) and 2021 and for the years ended December 31, 2022 (unaudited) and 2021, and for the period from October 9, 2020 (date of acquisition) to December 31, 2020

Vivint Solar Asset 3 Holdco Parent, LLC
(A Delaware Limited Liability Company)

Consolidated Financial Statements

As of December 31, 2022 (unaudited) and 2021 and for the year ended December 31, 2022 (unaudited) and 2021 and for the period from October 9, 2020 (date of acquisition) to December 31, 2020

Contents

Building a better working world

Ernst & Young LLP
15 West South Temple
Suite 1800
Salt Lake City, UT 84101

Tel: +1 801 350 3300
Fax: +1 801 350 3456
ey.com

Report of Independent Auditors

The Members
Vivint Solar Asset 3 Holdco Parent, LLC

Opinion

We have audited the consolidated financial statements of Vivint Solar Asset 3 Holdco Parent, LLC (the Company), which comprise the consolidated balance sheet as of December 31, 2021 and the related consolidated statements of operations and comprehensive income, members' equity and non-controlling interests and cash flows for the year ended December 31, 2021 and for the period from October 9, 2020 (date of acquisition) through December 31, 2020 and the related notes (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2021 and the results of its operations and its cash flows for the year ended December 31, 2021 and for the period from October 9, 2020 (date of acquisition) through December 31, 2020, in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free of material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free of material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Ernst + Young LLP

Salt Lake City, Utah

March 30, 2022

Vivint Solar Asset 3 Holdco Parent, LLC
(A Delaware Limited Liability Company)
Consolidated Balance Sheet
(in Thousands)

	As of December 31,	
	2022	2021
	(unaudited)	
Assets		
Current Assets:		
Cash	$ 8,165	$ 7,177
Restricted cash	2,900	1,296
Accounts receivable (net of allowance for credit losses of $219 and $454)	2,227	2,706
Accounts receivable, affiliates	410	1,481
Prepaid expenses and other current assets	6,487	368
Total current assets	20,189	13,028
Solar energy systems, net	345,348	363,729
Other assets	32,830	7,594
Total assets	$ 398,367	$ 384,351
Liabilities and members' equity		
Current liabilities:		
Accounts payable	$ 131	$ 139
Distributions payable, Vivint Solar Asset 3 Manager, LLC	12	—
Distributions payable, non-controlling interests	1,534	1,343
Long term debt, current portion	3,374	4,475
Accrued expenses	3,998	5,913
Deferred revenue, current portion	629	615
Total current liabilities	9,678	12,485
Long term debt, net of current portion	357,951	361,678
Deferred revenue, net of current portion	7,231	4,840
Other liabilities	11	—
Total liabilities	374,871	379,003
Members' equity	(53,748)	(41,117)
Accumulated other comprehensive income (loss)	40,527	(3,159)
Noncontrolling interests	36,717	49,624
Total equity	23,496	5,348
Total liabilities, non-controlling interests and members' equity	$ 398,367	$ 384,351

The accompanying notes are an integral part of these financial statements.

Vivint Solar Asset 3 Holdco Parent, LLC
(A Delaware Limited Liability Company)
Consolidated Statement of Operations
(in Thousands)

	Years Ended December 31,		From October 9, 2020 (date of acquisition) to December 31,
	2022	2021	2020
	(unaudited)		
Revenue:			
Customer agreements and incentives	$ 38,236	$ 27,530	$ 1,170
Solar energy systems sales	754	147	—
Total revenue	38,990	27,677	1,170
Operating expenses:			
Cost of customer agreements and incentives	18,529	14,518	1,038
Cost of solar energy systems sales	415	68	—
General and administrative	675	537	315
Total operating expenses	19,619	15,123	1,353
Income from operations	19,371	12,554	(183)
Interest expense	20,691	16,307	1,365
Other income, net	—	(4,356)	235
Net (loss) income	(1,320)	603	(1,783)
Net loss attributable to non-controlling interests	(2,143)	(165,341)	(41,291)
Net income available to equity members	$ 823	$ 165,944	$ 39,508

The accompanying notes are an integral part of these financial statements.

Vivint Solar Asset 3 Holdco Parent, LLC
(A Delaware Limited Liability Company)
Consolidated Statements of Comprehensive Income
(in Thousands)

	Years Ended December 31, 2022	Years Ended December 31, 2021	From October 9, 2020 (date of acquisition) to December 31, 2020
	(unaudited)		
Net income attributable to equity members	$ 823	$ 165,944	$ 39,508
Unrealized gain (loss) on derivatives	43,738	(5,260)	—
Adjustment for net (loss) gain on derivatives recognized into earnings	(52)	2,101	—
Other comprehensive income (loss)	43,686	(3,159)	—
Comprehensive income	$ 44,509	$ 162,785	$ 39,508

The accompanying notes are an integral part of these financial statements.

Vivint Solar Asset 3 Holdco Parent, LLC
(A Delaware Limited Liability Company)
Consolidated Statement of Members' Equity and Non-Controlling Interests
(in Thousands)

	Vivint Solar Asset 3 Manager, LLC	HA Galileo, LLC	Accumulated Other Comprehensive Income	Non-controlling Interests	Total Equity
Balance at October 9, 2020 (date of acquisition)	$ 98,302	$ 10	$ —	$ 39,000	$ 137,312
Contributions	41,503	—	—	79,886	121,389
Distributions	(93,070)	—	—	(189)	(93,259)
Net income (loss)	39,518	(10)	—	(41,291)	(1,783)
Balance at December 31, 2020	86,253	—	—	77,406	163,659
Contributions	47,235	—	—	141,892	189,127
Distributions	(340,549)	—	—	(4,333)	(344,882)
Other comprehensive loss	—	—	(3,159)	—	(3,159)
Net income (loss)	165,944	—	—	(165,341)	603
Balance at December 31, 2021	(41,117)	—	(3,159)	49,624	5,348
Contributions (unaudited)	14	—	—	—	14
Distributions (unaudited)	(9,679)	(3,789)	—	(10,764)	(24,232)
Other comprehensive income (unaudited)	—	—	43,686	—	43,686
Net income (loss) (unaudited)	(2,966)	3,789	—	(2,143)	(1,320)
Balance at December 31, 2022 (unaudited)	$ (53,748)	$ —	$ 40,527	$ 36,717	$ 23,496

The accompanying notes are an integral part of these financial statements.

Vivint Solar Asset 3 Holdco Parent, LLC
(A Delaware Limited Liability Company)
Consolidated Statement of Cash Flows
(in Thousands)

	Years Ended December 31, 2022	Years Ended December 31, 2021	From October 9, 2020 (date of acquisition) to December 31, 2020
	(unaudited)		
Operating activities			
Net (loss) income	$ (1,320)	$ 603	$ (1,783)
Adjustments to reconcile net (loss) income to net cash provided by operating activities:			
Depreciation	13,947	11,054	1,038
Provision for credit losses	583	461	—
Other noncash items	1,947	(3,111)	51
Changes in operating assets and liabilities:			
Accounts receivable	(104)	(2,609)	(112)
Accounts receivable, affiliates	3,901	(1,094)	(1,437)
Other assets	10,237	(2,261)	(218)
Accounts payable	(8)	139	17
Accrued expenses and other liabilities	829	2,916	1,342
Deferred revenue	5,767	5,298	515
Net cash provided by (used in) operating activities	35,779	11,396	(587)
Investing activities			
Payments for the costs of solar energy systems	—	(161,169)	(80,344)
Proceeds from transfer of solar energy systems	190	—	—
Proceeds from solar energy systems sales	865	147	—
Net cash provided by (used in) investing activities	1,055	(161,022)	(80,344)
Financing activities			
Capital contributions	—	47,235	41,503
Capital distributions	(16,304)	(340,549)	(93,070)
Proceeds from contributions by non-controlling interests	—	141,892	79,886
Distributions paid to non-controlling interests	(10,573)	(3,180)	(45)
Proceeds from issuance of debt	—	228,630	95,368
Repayment of notes payable	(6,768)	—	(5,256)
Payment of debt fees	(597)	—	—
Net cash (used in) provided by financing activities	(34,242)	73,302	118,386
Net change in cash and restricted cash	2,592	(76,324)	37,455
Cash and restricted cash, beginning of period	8,473	84,797	47,342
Cash and restricted cash, end of period	$ 11,065	$ 8,473	$ 84,797
Supplemental disclosures of cash flow information			
Cash paid for interest	$ 17,653	$ 11,473	$ 214

The accompanying notes are an integral part of these financial statements.

Vivint Solar Asset 3 Holdco Parent, LLC
(A Delaware Limited Liability Company)

Notes to Consolidated Financial Statements

1. General

Vivint Solar Asset 3 Holdco Parent, LLC ("the Company" or Asset 3 Holdco), a Delaware limited liability company, was organized on September 14, 2020 for the purpose of admitting HA Galileo, LLC (the "Hannon Member") as the Class A member in the Company and the conversion of Class B Member's limited liability company interest in the Company to Class B membership interest, and to further set forth the respective rights and obligations of the Member with respect to the Company. On October 8, 2020 (the "Closing Date"), Sunrun Inc. ("Sunrun") completed the acquisition of the Company by acquiring the Company's parent company, Vivint Solar, Inc. (the "Parent"), pursuant to the Agreement and Plan of Merger (the "Merger agreement"), dated as of July 6, 2020, by and among Sunrun, the Parent and Viking Merger Sub, Inc., a direct wholly owned subsidiary of Sunrun ("Merger Sub"), pursuant to which Merger Sub merged with and into the Parent (the "Merger"). As a result of the Merger, the Company became a direct wholly owned subsidiary of Sunrun.

The respective membership interest in the Company are as follows: Hannon Member owns 100% of Class A membership in the Company and Vivint Solar Asset 3 Manager, LLC ("Asset 3 Manager") owns 100% of the Class B membership in the Company. Manager, through other wholly-owned subsidiaries, is a wholly-owned subsidiary of Sunrun Inc. ("Sunrun"), a developer of residential solar energy systems.

As of December 31, 2022 (unaudited), the Company owns 100% of the membership interest in Vivint Solar Asset 3 Holdco Borrower, LLC ("Asset 3 Holdco Borrower"), which owns 100% of the membership interest in of Vivint Solar Asset 3 Senior Borrower, LLC ("Asset 3 Senior Borrower"), which owns all of the outstanding membership interests in Vivint Solar Fund 28 Manager, LLC and Vivint Solar Fund 29 Manager, LLC. These entities own 100% of the Class B membership interest in their subsidiaries, and 100% of the Class A membership interests are held by third party tax equity investors ("Investors").

2. Summary of Significant Accounting Policies

Basis of Presentation and Principles of Consolidation

The accompanying consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles ("GAAP") and reflect the accounts and operations of the Company and those of its subsidiaries, including funds, in which the Company has a controlling financial interest. The typical condition for a controlling financial interest ownership is holding a majority of the voting interests of an entity. However, a controlling financial interest may also exist in entities, such as variable interest entities ("VIEs"), through arrangements that do not involve controlling voting interests. In accordance with the provisions of Financial Accounting Standards Board ("FASB") Accounting Standards Codification Topic 810 ("ASC 810") *Consolidation*, the Company consolidates any VIE of which it is the primary beneficiary. The primary beneficiary, as defined in ASC 810, is the party that has (1) the power to direct the activities of a VIE that most significantly impact the VIE's economic performance and (2) the obligation to absorb the losses of the VIE or the right to receive benefits from the VIE that could potentially be significant to the of the VIE or the right to receive benefits from the VIE that could potentially be significant to the

VIE. The Company evaluates its relationships with its VIEs on an ongoing basis to determine whether it continues to be the primary beneficiary. The consolidated financial statements reflect the assets and liabilities of VIEs that are consolidated. All intercompany transactions and balances have been eliminated in consolidation.

Use of Estimates

The preparation of the consolidated financial statements requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. The Company regularly makes estimates and assumptions, including, but not limited to, estimates that affect the collectability of accounts receivable, the useful lives of solar energy systems, the valuation of derivative financial statements, non-controlling interests and the recoverability of long-lived assets. The Company bases its estimates on historical experience and on various other assumptions believed to be reasonable. Actual results may differ from such estimates.

Cash and Restricted Cash

Cash consists of bank deposits held in checking and savings accounts. The Company considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents. The Company has exposure to credit risk to the extent cash balances exceed amounts covered by federal deposit insurance. The Company believes that its credit risk is not significant.

Restricted cash represents amounts related to obligations under certain financing transactions and future replacement of solar energy system components.

Accounts Receivable

Accounts receivables consist of amounts due from customers, as well as state and utility rebates due from government agencies and utility companies. Under arrangements with customers, the customers typically assign incentive rebates to the Company.

Accounts receivables are recorded at net realizable value. The Company maintains allowances for the applicable portion of receivables using the expected credit loss model. The Company estimates expected credit losses from doubtful accounts based upon the expected collectability of all accounts receivables, which takes into account the number of days past due, collection history, identification of specific customer exposure, current economic trends, and management's expectation of future economic conditions. Once a receivable is deemed to be uncollectible, it is written off.

Solar Energy Systems, net

Sunrun's customers enter into an agreement to utilize the solar system ("Customer Agreements"). The Company records solar energy systems subject to signed Customer Agreements and solar energy systems that are under installation as solar energy systems, net on its consolidated balance sheet. Solar energy systems, net is comprised of system equipment costs, less accumulated sheet. Solar energy systems, net is comprised of system equipment costs, less accumulated depreciation. Depreciation on solar energy systems is calculated on a straight-line basis over the estimated useful lives of the systems of 35 years. The Company periodically reviews its estimated useful life and recognizes changes in estimates by prospectively adjusting depreciation expense. Inverters and batteries are depreciated over their estimated useful lives of 10 to 13 years.

Solar energy systems under construction will be depreciated as solar energy systems subject to signed Customer Agreements when the respective systems are completed and interconnected.

Impairment of Long-Lived Assets

The carrying amounts of the Company's solar energy systems subject to depreciation, are periodically reviewed for impairment whenever events or changes in circumstances indicate that the carrying value of these assets may not be recoverable or that the useful life is shorter than originally estimated. Factors that are considered in deciding when to perform an impairment review would include significant negative industry or economic trends, and significant changes or planned changes in the use of the assets. Recoverability of these assets is measured by comparison of the carrying amount of each asset to the future undiscounted cash flows the asset is expected to generate over its remaining life. If the asset is considered to be impaired, the amount of any impairment is measured as the difference between the carrying value and the fair value of the impaired asset. If the useful life is shorter than originally estimated, the Company amortizes the remaining carrying value over the new shorter useful life. No impairment of solar energy systems has been recorded for the year ended December 31, 2022 (unaudited) and year ended December 31, 2021, respectively.

Deferred Revenue

When the Company receives consideration, or when such consideration is unconditionally due, from a customer prior to delivering goods or services to the customer under the terms of a Customer Agreement, the Company records deferred revenue. Such deferred revenue consists of amounts for which the criteria for revenue recognition have not yet been met and includes amounts that are collected or assigned from customers, including upfront deposits and prepayments, and rebates. Deferred revenue relating to financing components represents the cumulative excess of interest expense recorded on financing component elements over the related revenue recognized to date and will eventually net to zero by the end of the initial term. Amounts received related to the sales of solar renewable energy credits ("SRECs") which have not yet been delivered to the counterparty are recorded as deferred revenue.

Solar Energy Performance Guarantees

The Company guarantees to customers certain specified minimum solar energy production output for solar facilities over the initial term of the Customer Agreements. The Company monitors the solar energy systems to determine whether these specified minimum outputs are being achieved. Annually or every two years, depending on the terms of the Customer Agreement, the Company will refund a portion of electricity payments to a customer if his or her solar energy production output was less than the performance guarantee. The Company considers this a variable component that offsets the transaction price.

that offsets the transaction price

Derivative Financial Instruments

The Company recognizes all derivative instruments on the balance sheet at their fair value. Changes in the fair value of derivatives are recorded each period in current earnings or other comprehensive income if a derivative is designated as part of a hedge transaction. The ineffective portion of the hedge, if any, is immediately recognized in earnings and are included in other income (expenses), net in the consolidated statement of operations.

The Company uses derivative financial instruments, primarily interest rate swaps, to manage its exposure to interest rate risks on its syndicated term loans, which are recognized on the balance sheet at their fair values. On the date that the Company enters into a derivative contract, the Company formally documents all relationships between the hedging instruments and the hedged items, as well as its risk management objective and strategy for undertaking each hedge transaction. Derivative instruments designated in a hedge relationship to mitigate exposure to variability in expected future cash flows, or other types of forecasted transactions, are considered cash flow hedges. Cash flow hedges are accounted for by recording the fair value of the derivative instrument on the balance sheet as either a freestanding asset or liability.

Changes in the fair value of a derivative that is designated and qualifies as an effective cash flow hedge are recorded in accumulated other comprehensive income until earnings are affected by the variability of cash flows of the hedged item. Any derivative gains and losses that are not effective in hedging the variability of expected cash flows of the hedged item or that do not qualify for hedge accounting treatment are recognized directly into income.

At the hedge's inception and at least quarterly thereafter, a formal assessment is performed to determine whether changes in cash flows of the derivative instrument have been highly effective in offsetting changes in the cash flows of the hedged items and whether they are expected to be highly effective in the future.

The Company discontinues hedge accounting prospectively when (i) it determines that the derivative is no longer effective in offsetting changes in the cash flows of a hedged item; (ii) the derivative expires or is sold, terminated, or exercised; or (iii) management determines that designating the derivative as a hedging instrument is no longer appropriate. In all situations in which hedge accounting is discontinued and the derivative remains outstanding, the derivative instrument is carried at its fair market value on the balance sheet with the changes in fair value recognized in current period earnings. The remaining balance in accumulated other comprehensive income associated with the derivative that has been discontinued is not recognized in the consolidated statement of operations unless it is probable that the forecasted transaction will not occur. Such amounts are recognized in earnings when earnings are affected by the hedged transaction.

The Company determines the fair value of its interest rate swaps using a discounted cash flow model which incorporates an assessment of the risk of non-performance by the interest rate swap counterparty and an evaluation of the Company's credit risk in valuing derivative instruments. The

valuation model uses various inputs including contractual terms, interest rate curves, credit spreads, and measures of volatility.

Fair Value of Financial Instruments

The Company defines fair value as the exchange price that would be received for an asset or an exit price that would be paid to transfer a liability in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The Company uses valuation approaches to measure fair value that maximize the use of observable inputs and minimize the use of unobservable inputs. The FASB establishes a three-tier fair value hierarchy for disclosure of fair value measurements as follows:

- Level 1 - Inputs are unadjusted, quoted prices in active markets for identical assets or liabilities at the measurement date;

- Level 2 - Inputs are observable, unadjusted quoted prices in active markets for similar assets or liabilities, unadjusted quoted prices for identical or similar assets or liabilities in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the related assets or liabilities; and

- Level 3 - Inputs that are unobservable, significant to the measurement of the fair value of the assets or liabilities and are supported by little or no market data.

The Company's financial instruments include cash, receivables, accounts payable, accrued expenses, distributions payable to noncontrolling interests, derivatives and debt.

Revenue Recognition

The Company recognizes revenue when control of goods or services is transferred to its customers, in an amount that reflects the consideration it expects to be entitled to in exchange for those goods or services.

Customer agreements and incentives

Customer agreements and incentives is primarily comprised of revenue from Customer Agreements in which the Company provides continuous access to a functioning solar energy system and revenue from the sales of SRECs generated by the Company's solar energy systems to third parties and affiliates.

The Company begins to recognize revenue on Customer Agreements when permission to operate ("PTO") is given by the local utility company or on the date daily operation commences if utility approval is not required. Revenue recognition does not necessarily follow the receipt of cash. The Company recognizes revenue evenly over the time that it satisfies its performance obligations over the initial term of the Customer Agreements. Customer Agreements typically have an initial term of 20 or 25 years. After the initial contract term, Customer Agreements typically automatically renew on an annual basis.

SREC revenue arises from the sale of environmental credits generated by solar energy systems. Generally, the Company receives fixed consideration for the sale of all SRECs that are generated by specific solar energy systems, and settles through equity with Sunrun or an affiliate. Occasionally, the Company may receive a payment based on the number of SRECs delivered. Revenue related to the sale of SRECs generated by specific solar energy systems is recognized upon delivery of the SRECs or upon reporting of the electricity generation.

In determining the transaction price, the Company adjusts the promised amount of consideration for the effects of the time value of money when the timing of payments provides it with a significant benefit of financing the transfer of goods or services to the customer. In those circumstances, the contract contains a significant financing component. When adjusting the promised amount of consideration for a significant financing component, the Company uses the discount rate that would be reflected in a separate financing transaction between the entity and its customer at contract inception and recognizes the revenue amount on a straight-line basis over the term of the Customer Agreement, and interest expense using the effective interest rate method.

Consideration from customers is considered variable due to the performance guarantee under Customer Agreements. Performance guarantees provide a credit to the customer if the system's cumulative production, as measured on various PTO anniversary dates, is below the Company's guarantee of a specified minimum. Revenue is recognized to the extent it is probable that a significant reversal of such revenue will not occur.

Solar energy systems sales

Solar energy systems sales are comprised of solar energy systems purchased by customers who had previously entered into a Customer Agreement with Sunrun. The Company recognizes revenue when the purchase and sale agreement is signed by both parties, provided all other revenue recognition criteria are met. Taxes assessed by government authorities that are directly imposed on revenue producing transactions are excluded from solar energy systems sales.

Cost of Revenue

Customer agreements and incentives

Cost of revenue for customer agreements and incentives is primarily comprised of (1) the depreciation of the cost of the solar energy systems, as reduced by amortization of deferred grants, and (2) solar energy system operations, monitoring and maintenance costs including associated personnel costs.

Solar energy systems

For solar energy systems sold to customers which have been previously subject to a Customer Agreement, the Company recognizes cost when the purchase and sale agreement is signed by both parties as the control transfers to the customer at that time.

Non-Controlling Interests

Noncontrolling interests represent Investors' interests in the net assets of the funds that the Company has created to finance the cost of its solar energy systems subject to the Company's Customer Agreements. The Company has determined that the contractual provisions in the funding arrangements represent substantive profit sharing arrangements. The Company has further determined that the appropriate methodology for attributing income and loss to the noncontrolling interests each period is a balance sheet approach referred to as the hypothetical liquidation at book value ("HLBV") method.

Under the HLBV method, the amounts of income and loss attributed to the non-controlling interests in the consolidated statements of operations reflect changes in the amounts the fund investors would hypothetically receive at each balance sheet date under the liquidation provisions of the contractual agreements of these structures, assuming the net assets of these funding structures were liquidated at recorded amounts. The fund investors' non-controlling interest in the results of operations of these funding structures is determined as the difference in the non-controlling interests' claims under the HLBV method at the start and end of each reporting period, after considering any capital transactions, such as contributions or distributions, between the fund and the fund investors.

Attributing income and loss to the non-controlling interests under the HLBV method requires the use of significant assumptions and estimates to calculate the amounts that fund investors would receive upon a hypothetical liquidation. Changes in these assumptions and estimates can have a significant impact on the amount that fund investors would receive upon a hypothetical liquidation. The use of the HLBV methodology to allocate income to the non-controlling holders may create volatility in the Company's consolidated statements of operations as the application of HLBV can drive changes in net income available and loss attributable to non-controlling interests from year to year.

Income Taxes

The Company was organized as a limited liability company. Members are taxed on their proportionate share of the Company's taxable income. Therefore, no provision or liability for federal or state income taxes has been included in these consolidated financial statements. The Company's federal, state and local income tax returns since inception are still subject to audit.

Concentrations of Risk

Financial instruments which potentially subject the Company to concentrations of risk consist primarily of cash and accounts receivable, which includes rebates receivable. The associated risk of concentration for cash is mitigated by banking with institutions with high credit ratings. At certain times, amounts on deposit exceed Federal Deposit Insurance Corporation insurance limits. The Company does not require collateral or other security to support accounts receivable. To reduce credit risk, management performs periodic credit evaluations and ongoing evaluations of its customers' financial conditions. Rebates receivable are due from various states and local its customers' financial conditions. Rebates receivable are due from various states and local governments as well as various utility companies. The Company considers the collectability risk of such amounts to be low. The Company is not dependent on any single customer. The loss of a customer would not adversely impact the Company's operating results or financial position. The Company's customers under Customer Agreements are located in several states in the U.S.

3. Solar Energy Systems, net

Solar energy systems, net consists of the following as of December 31, 2022 (unaudited) and December 31, 2021 (in thousands):

	Year Ended December 31, 2022	Year Ended December 31, 2021
	(unaudited)	
System equipment costs	$ 371,331	$ 375,820
Less: accumulated depreciation	(25,983)	(12,091)
Total solar energy systems, net	$ 345,348	$ 363,729

All solar energy systems, including construction-in-progress, have been leased to or are subject to signed Customer Agreements with customers. The Company recorded depreciation expense related to solar energy systems of $13.9 million (unaudited), $11.1 million and $1.0 million in cost of customer agreements and incentives for the year ended December 31, 2022 (unaudited), year ended December 31, 2021, and from period October 9, 2020 (date of acquisition) to December 31, 2020, respectively.

4. Other Assets

Other assets consists of the following as of December 31, 2022 (unaudited) and December 31, 2021 (in thousands):

	Year Ended December 31, 2022	Year Ended December 31, 2021
	(unaudited)	
Unbilled Receivables	5,806	2,789
Allowance for Credit Loss on Unbilled Receivables	(58)	(28)
Derivative Assets	25,648	3,082
Other Assets	1,434	1,751
Total Other Assets	$ 32,830	$ 7,594

The opening balance of unbilled receivables was $2.8 million (unaudited) and $0.1 million as of December 31, 2022 and December 31, 2021, respectively.

The majority of unbilled receivables arise from fixed price escalators included in the Company's long-term Customer Agreements. The escalator is included in calculating the total estimated transaction value for an individual Customer Agreement. The total estimated transaction value is then recognized over the term of the Customer Agreement. The amount of unbilled receivables increases while billings for an individual Customer Agreement are less than the revenue recognized for that Customer Agreement. Conversely, the amount of unbilled receivables decreases once the billings becomes higher than the amount of revenue recognized in the period. At the end of the initial term of a Customer Agreement, the cumulative amounts recognized as revenue and billed to date are the same, therefore the unbilled receivable balance for an individual Customer Agreement will be zero. The Company applies an estimated loss-rate in order to determine the current expected credit loss for unbilled receivables. The estimated loss-rate is determined by analyzing historical credit losses, residential first and second mortgage foreclosures and consumers' utility default rates, as well as current economic conditions. The Company reviews individual customer collection status of electricity billings to determine whether the unbilled receivables for an individual customer should be written off.

5. Long-term Debt

In October 2020, Asset 3 HoldCo Borrower and Asset 3 Senior Borrower entered into a Loan Agreement and a Credit Agreement with a bank and a syndicate of banks, respectively, for up to \$430.0 million in committed facilities. Specifically, Asset 3 HoldCo Borrower entered into a \$140.0 million subordinated term loan ("HoldCo Debt"), which matures on October 6, 2032, and Asset 3 Senior Borrower entered into a \$275.0 million senior term loan ("Senior Debt"), and a \$15.0 million letter of credit facility for which draws are intended solely for the purposes of satisfying the required debt service reserve amount, if necessary, both of which mature on October 5, 2027. The Company's borrowings are limited to the lessor of the total commitment or the unused borrowing base capacity.

Senior Debt is a senior delayed draw term loan that bore interest at LIBOR (or other contractually stipulated benchmark if a benchmark transition event occurs), plus an applicable margin equal to 2.50% per annum and after the April 29, 2022 loan amendment bears interest at SOFR + 2.25% per annum (unaudited). HoldCo Debt is a subordinated term loan that bears interest at a fixed rate of 8.50% per annum. Under Senior Debt, prepayments are permitted with no penalties after the availability period, which ended April 2, 2022. Under HoldCo Debt, prepayments are permitted with associated penalties ranging from 1.00%-5.00% depending on the timing of prepayments. As of December 31, 2022 (unaudited), Senior Debt and HoldCo Debt were fully drawn and unused borrowing capacities were \$0.0 million, respectively (unaudited). As of December 31, 2021, Senior Debt's and HoldCo Debt's unused borrowing capacities were \$3.9 million and \$0.0 million, respectively. Of the total commitment related to the term loans, \$361.3 million (unaudited) and \$370.9 million was outstanding as of December 31, 2022 and December 31, 2021, respectively.

The aforementioned credit facility is secured by net cash flows of certain subsidiaries from Customer Agreements, less certain operating, maintenance, and other expenses, which are available to the borrowers after distributions to tax equity investors. Under the terms of this facility, the Company pays interest and principal from the net cash flows available to it. The facility contains customary covenants including the requirement to maintain certain financial measurements and provide lender reporting. The credit facility also contains certain provisions in the event of default, which entitle lenders to take certain actions including acceleration of amounts due under the facility. The Company was in compliance with all debt covenants as of December 31, 2022 (unaudited).

2022 (unaudited).

Financing costs incurred with securing a term loan are recorded in the Company's consolidated balance sheet as an offset to the term loan and amortized to interest expense in the Company's consolidated statement of operations over the contractual life of the loan.

The scheduled maturities of debt as of December 31, 2022 (unaudited) are as follows (in thousands):

2023	$	3,796
2024		4,119
2025		4,470
2026		4,775
2027		268,903
Thereafter		80,095
Subtotal		366,158
Less: Debt Discount		(4,833)
Total	$	361,325

6. Derivatives

The Company uses interest rate swaps to hedge variable interest payments due on its loan. These swaps allow the Company to incur fixed interest rates on this loan and receive payments based on variable interest rates with the swap counterparty based on the three month SOFR on the notional amounts over the life of the swaps.

The interest rate swaps have been designated as cash flow hedges. The credit risk adjustment associated with these swaps is the risk of non-performance by the counterparties to the contracts. In the year ended December 31, 2022 (unaudited), the hedge relationships on the Company's interest rate swaps have been assessed as highly effective as the quarterly assessment performed determined changes in cash flows of the derivative instruments have been highly effective in offsetting the changes in the cash flows of the hedged items and are expected to be highly effective in the future. Accordingly, changes in the fair value of these derivatives are recorded as a component of accumulated other comprehensive income. Changes in the fair value of these derivatives are subsequently reclassified into earnings, and are included in interest expense in the Company's consolidated statement of operations, in the period that the hedged forecasted transactions affect earnings. During the next twelve months, the Company expects to reclassify $6.8 million (unaudited) of net gains on derivative instruments from accumulated other comprehensive income to earnings. There were no undesignated derivative instruments recorded by the Company as of December 31, 2022 (unaudited). All accumulated other comprehensive income activity is related to derivative activity.

Notes to Consolidated Financial Statements (cont'd)

At December 31, 2022 (unaudited), the Company has the following derivative instruments classified as derivative assets with $25.7 million (unaudited) reported in long-term other assets and $6.1 million (unaudited) reported in prepaid expenses and other current assets in the Company's consolidated balance sheet, all of which are measured at fair value on a recurring basis, based upon the fair value hierarchy defined below (in thousands, other than quantity and interest rates) (unaudited):

Type	Quantity	Effective Dates	Maturity Dates	Hedge Interest Rates	Notional Amount	Fair Market Value	Fair Value Hierarchy
Interest rate swaps	8	4/29/2022	7/31/2039 - 7/31/2042	0.91% - 2.68%	221,079	31,752	Level 2

At December 31, 2021, the Company has the following derivative instruments, of which $3.1 million were classified as derivative assets and $2.2 million were classified as derivative liabilities and were reported in other assets and accrued expense and other liabilities, respectively in the Company's consolidated balance sheet, all of which are measured at fair value on a recurring basis, based upon the fair value hierarchy defined below (in thousands, other than quantity and interest rates):

Type	Quantity	Effective Dates	Maturity Dates	Hedge Interest Rates	Notional Amount	Fair Market Value	Fair Value Hierarchy
Interest rate swaps	14	10/30/2020 - 7/30/2021	7/31/2039 - 7/31/2042	1.14% - 1.97%	225,090	931	Level 2

7. Variable Interest Entity (VIE) Arrangements

The Company consolidated various VIEs at December 31, 2022 (unaudited) and December 31, 2021. The carrying amounts and classifications of the VIEs' assets and liabilities included in the consolidated balance sheet are as follows (in thousands):

	Year Ended December 31, 2022 (unaudited)	Year Ended December 31, 2021
Assets		
Current assets:		
Cash	$ 7,476	$ 6,390
Accounts receivable (net of allowance for credit losses)	2,227	2,706
Accounts receivable, affiliates	403	—
Prepaid expenses and other current assets	383	368
Total current assets	10,489	9,464
Solar energy systems, net	345,348	363,729
Other assets	7,181	4,512
Total assets	$ 363,018	$ 377,705
Liabilities:		
Current liabilities		
Accounts payable	131	139
Accounts payable, affiliates	—	2,257
Distributions payable	6,978	1,343
Accrued expenses	595	494
Deferred revenue, current portion	629	615
Total current liabilities	8,333	4,848
Deferred revenue, net of current portion	7,231	4,840
Other liabilities	11	—
Total liabilities	$ 15,575	$ 9,688

8. Commitments and Contingencies

As of December 31, 2022 (unaudited), the Company had an unused balance of $9.0 million (unaudited) on its letter of credit, which carries a fee of 0.50% per annum and used balance of $6.0

million (unaudited), which carries a fee of 2.25% per annum. The letter of credit carries a maturity date of October 2023.

As of December 31, 2021, the Company had an unused balance of $10.0 million on its letter of credit, which carries a fee of 0.75% per annum and a used balance of $5.0 million, which carries a fee of 2.50% per annum. The letter of credit carries a maturity date of September 2022.

9. Related Party Transactions

Accounts Receivable, Net—Related Party

The accounts receivable, affiliates account consists of miscellaneous receivables, net of any payables to Sunrun and its subsidiaries for rebates and SRECs where the cash has not been remitted.

Management and Administrative Services Fee

Prior to the Closing Date, the Company entered into the Administrative Services Agreement ("ASA") with Vivint Solar Provider, LLC ("Provider"), a wholly owned subsidiary of Vivint Solar, Inc. Pursuant to the ASA, Provider shall provide certain administrative services to the Company in exchange for an annual administrative services fee of $4.50 per DC kilowatt of installed nameplate capacity, escalating annually according to the terms of the LLC Agreement (the "LLCA"), prorated for any capacity not available for a full year. The Company incurred management and administrative services fees to Provider of $734 thousand (unaudited), $547 thousand, and $38 thousand which is included in General and administrative in the statements of operations, for the years ended December 31, 2022 (unaudited), December 31, 2021, and period from October 9, 2020 (date of acquisition) to December 31, 2020 respectively.

Maintenance Services Fee

Prior to the Closing Date, the Company entered into the Maintenance Services Agreement ("MSA") with Provider. Pursuant to the MSA, Provider shall provide certain system maintenance services to the Company in exchange for an annual maintenance services fee of $16.50 per DC kilowatt of installed nameplate capacity, escalating annually according to the terms of the LLCA, prorated for any capacity not available for a full year. The Company incurred maintenance services fees to Provider of $2.7 million (unaudited), $2.0 million, and $139 thousand which are included in General and administrative in the statements of operations, for the years ended December 31, 2022 (unaudited), December 31, 2021, and from October 9, 2020 (date of acquisition) to December 31, 2020, respectively.

Distributions to Investor Members

In October 2020, the Company entered into the LLCA with the Managing Member and the Hannon Member pursuant to which the Company receives capital contributions for the purchase of projects from Developer. In exchange for the contributions, the Hannon Member receives monthly distributions from the Company. For each month the Hannon Member will receive 50.00% of any distributions from the Company. For each month the Hannon Member will receive 90.00% of any distributable cash. For the year ended December 31, 2022 (unaudited) the Company paid $3.8 million (unaudited) distributions to the Hannon Member. For the year ended December 31, 2021 and period from October 9, 2020 (date of acquisition) to December 31, 2020 the Company paid no distributions to the Hannon Member.

10. Subsequent Events

The Company evaluated subsequent events through March 29, 2023, the date these consolidated financial statements were available to be issued.

ROSIE TARGETCO LLC AND SUBSIDIARIES

Consolidated Financial Statements

December 31, 2022 and 2021

(With Report of Independent Auditors)

ROSIE TARGETCO LLC AND SUBSIDIARIES

Table of Contents

Building a better
working world

Ernst & Young LLP
One Commerce Square
2005 Market Street, Suite 700
Philadelphia, PA 19103

Tel: +1 215 448 5000
Fax: +1 215 448 4069
ey.com

Report of Independent Auditors

The Members
Rosie TargetCo LLC

Opinion

We have audited the consolidated financial statements of Rosie TargetCo LLC and subsidiaries (the Company), which comprise the consolidated balance sheets as of December 31, 2022 and 2021, and the related consolidated statements of operations and comprehensive income, equity and cash flows for the years then ended, and the related notes (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2022 and 2021, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free of material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

EY

Building a better working world

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free of material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Ernst + Young LLP

March 24, 2023

A member firm of Ernst & Young Global Limited

ROSIE TARGETCO LLC AND SUBSIDIARIES

Consolidated Balance Sheets

December 31, 2022 and 2021

(In thousands)

Assets	**2022**	**2021**
Current assets:		
Cash	$ 3,738	$ 944
Restricted cash	867	6,027
Accounts receivable – trade	6,128	1,636
Inventory	9	—
Derivative instruments	2,095	—
Interest receivable	172	—
Note receivable	616	—
Prepayments and other current assets	1,176	519
Total current assets	14,801	9,126
Property, plant, and equipment, net	238,325	250,657
Other assets:		
Derivative instruments	9,742	1,439
Right of use assets, net	13,899	14,160
Interest receivable	558	—
Note receivable	2,001	—
Other non-current assets	1,326	1,381
Total other assets	27,526	16,980
Total assets	$ 280,652	$ 276,763
Liabilities and Equity		
Current liabilities:		
Current portion of long-term debt	$ 2,608	$ 1,828
Accounts payable – trade	4,604	1,641
Accounts payable – affiliate	394	203
Accrued liabilities	16	—
Derivative instruments	—	557
Lease liabilities	(91)	(104)
Accrued interest expense	497	494
Total current liabilities	8,028	4,619
Other liabilities:		
Long-term debt	72,645	74,888
Asset retirement obligations	5,778	5,385
Long-term lease liabilities	14,944	14,853
Total non-current liabilities	93,367	95,126
Total liabilities	101,395	99,745
Commitments and contingencies		
Equity:		
Members' equity	142,838	122,196
Noncontrolling interests	36,419	54,822
Total equity	179,257	177,018
Total liabilities and equity	$ 280,652	$ 276,763

See accompanying notes to consolidated financial statements.

ROSIE TARGETCO LLC AND SUBSIDIARIES

Consolidated Statements of Operations and Comprehensive Income

Years ended December 31, 2022 and 2021

(In thousands)

		2022		2021
Operating revenues:				
Total operating revenues	$	15,698	$	14,091
Operating costs and expenses:				
Cost of operations		5,727		5,696
Depreciation and accretion		9,647		9,288
Total operating costs and expenses		15,374		14,984
Operating income (loss)		324		(893)
Other income (expense):				
Interest income		937		—
Interest expense		(3,231)		(3,245)
Total other expense		(2,294)		(3,245)
Net loss		(1,970)		(4,138)
Less: net loss attributable to noncontrolling interest		(16,029)		(18,817)
Net income attributable to Rosie TargetCo LLC and subsidiaries		14,059		14,679
Other comprehensive income:				
Unrealized gain on derivatives and changes in accumulated OCI		10,955		4,153
Other comprehensive income		10,955		4,153
Comprehensive income		8,985		15
Less: comprehensive loss attributable to noncontrolling interest		(16,029)		(18,817)
Comprehensive income attributable to Rosie TargetCo LLC and subsidiaries	$	25,014	$	18,832

See accompanying notes to consolidated financial statements.

ROSIE TARGETCO LLC AND SUBSIDIARIES

Consolidated Statements of Equity

Years ended December 31, 2022 and 2021

(In thousands)

	Rosamond Solar Investment LLC Contributed capital	HA Lighthouse LLC Contributed capital	Retained earnings	Accumulated other comprehensive (loss) income	Noncontrolling interest	Total equity
Balance at December 31, 2020	$ 3,422	$ 61,894	$ 42,813	$ (3,271)	$ 75,913	$ 180,771
Net income (loss)	—	—	14,679	—	(18,817)	(4,138)
Unrealized gain on derivatives	—	—	—	4,153	—	4,153
Non-cash contributions	—	23	—	—	—	23
Cash contributions	—	2,499	—	—	—	2,499
Cash distributions	(3,257)	(759)	—	—	(2,118)	(6,134)
Payment of transaction costs	—	—	—	—	(156)	(156)
Balance at December 31, 2021	$ 165	$ 63,657	$ 57,492	$ 882	$ 54,822	$ 177,018
Net income (loss)	—	—	14,059	—	(16,029)	(1,970)
Unrealized gain on derivatives	—	—	—	10,955	—	10,955
Cash distributions	(3,676)	(696)	—	—	(2,374)	(6,746)
Balance at December 31, 2022	$ (3,511)	$ 62,961	$ 71,551	$ 11,837	$ 36,419	$ 179,257

See accompanying notes to consolidated financial statements.

ROSIE TARGETCO LLC AND SUBSIDIARIES

Consolidated Statements of Cash Flows

Years ended December 31, 2022 and 2021

(In thousands)

	2022	2021
Cash flows from operating activities:		
Net loss	$ (1,970)	$ (4,138)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and accretion	9,647	9,288
Reduction in carrying amount of right-of-use assets	261	268
Amortization of debt issuance costs	365	367
Cash (used) provided by changes in other working capital:		
Accounts receivable – trade	(4,492)	(906)
Inventory	(9)	—
Prepayments and other current assets	(657)	(519)
Interest receivable	(919)	—
Other non-current assets	55	86
Accounts payable – trade	3,422	1,023
Accounts payable – affiliate	191	125
Accrued liabilities	16	(106)
Accrued interest expense	3	486
Operating lease liabilities	104	188
Net cash provided by operating activities	6,017	6,162
Cash flows from investing activities:		
Capital expenditures	(459)	(18,050)
Decrease in note receivable	650	—
Net cash provided (used) by investing activities	191	(18,050)
Cash flows from financing activities:		
Payments of long-term debt	(1,828)	(1,626)
Contributions from members	—	2,499
Distributions to members	(4,372)	(4,016)
Distributions to noncontrolling interests	(2,374)	(2,118)
Payment of debt issuance and transaction costs	—	(156)
Net cash used by financing activities	(8,574)	(5,417)
Net decrease in cash and restricted cash	(2,366)	(17,305)
Cash and restricted cash at beginning of year	6,971	24,276
Cash and restricted cash at end of year	$ 4,605	$ 6,971
Supplemental disclosures:		
Interest paid	$ 2,863	$ 2,393
Non-cash investing and financing activities:		
Decrease to fixed assets for note receivable	(3,078)	—
Non-cash contributions - intercompany settlements	—	23

See accompanying notes to consolidated financial statements.

(1) Nature of Business

Rosie TargetCo LLC and subsidiaries, or the Company, a Delaware limited liability company, owns 100% of Rosie Class B LLC, or Rosie Class B, a Delaware limited liability company. Rosie Class B owns 100% of the Class B membership interests of Rosie TE HoldCo LLC or Rosie TE HoldCo. A third party investor, Morgan Stanley Renewables Inc., or Morgan Stanley, owns 100% of the Class A membership interests of Rosie TE HoldCo. Rosie TE HoldCo owns 100% of Rosie Project HoldCo LLC, or Rosie Project HoldCo, which directly owns 100% of Golden Fields Solar III, LLC, or Golden Fields Solar III. Golden Fields Solar III owns a 192-megawatt, or MW, photovoltaic solar generating facility located in Rosamond, California, referred to as the Facility. The Company was formed as the indirect owner of Rosie DevCo LLC, and the owner of Rosie Class B and Rosie Project HoldCo, for the purposes of developing, financing, and constructing the Facility. The Facility achieved 100% commercial operations, or COD, on December 22, 2020.

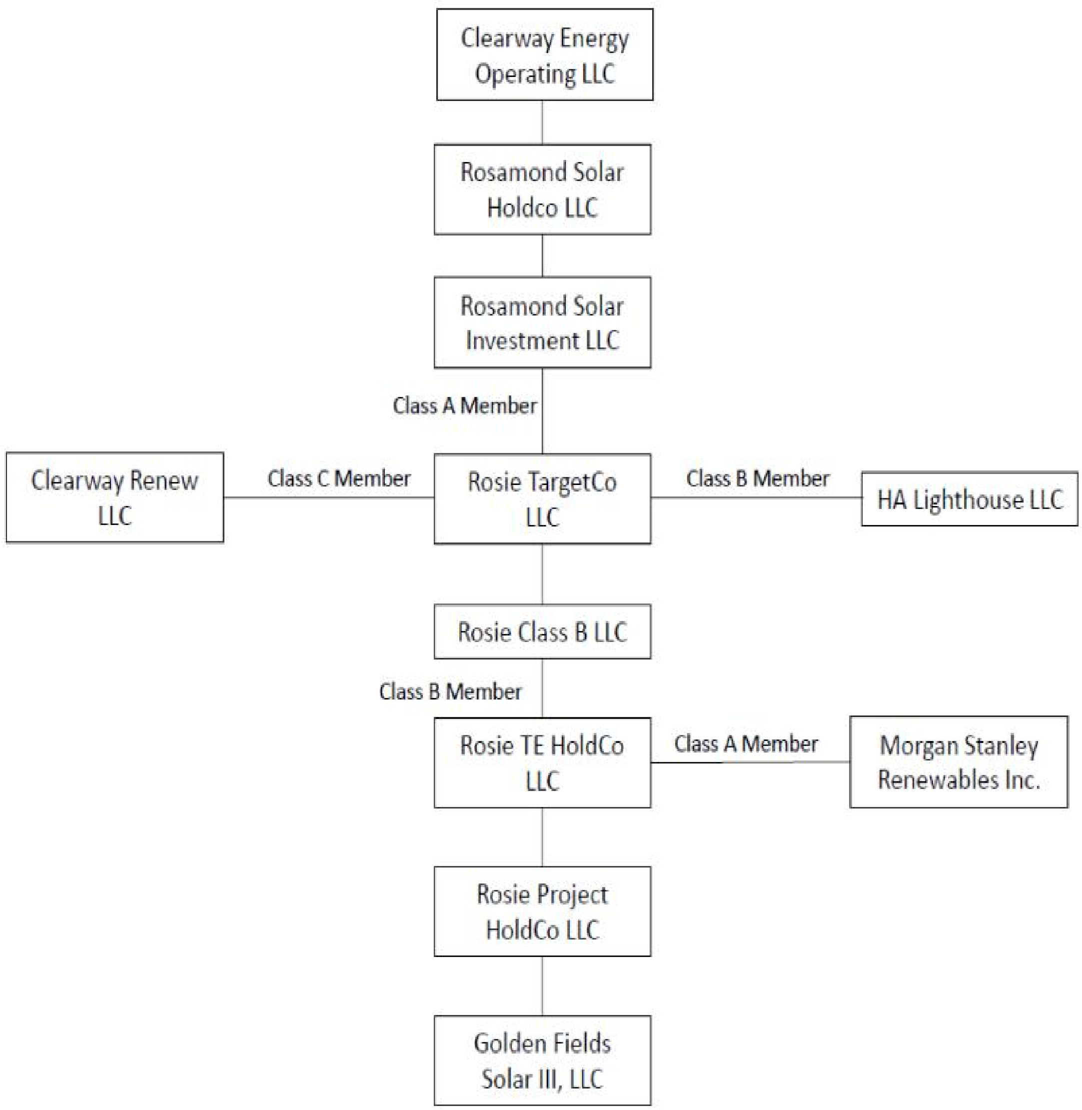
The Company is a limited liability company, whose Class A membership interests are owned by Clearway Energy Operating LLC, through its indirect subsidiary Rosamond Solar Investment LLC, or Rosamond Solar Investment. Clearway Energy Operating LLC, is a wholly owned subsidiary of Clearway Energy LLC, which is owned by Clearway Energy, Inc. and Clearway Energy Group LLC, or Clearway Energy Group. Clearway Energy Group is equally owned by Global Infrastructure Partners III and TotalEnergies SE.

The Company's Class B membership interests are owned by HA Lighthouse LLC, or HASI. In March 2021, HASI paid an additional $2.5 million as a purchase price adjustment for its Class B interest in the Company which was recorded as a distribution to Rosamond Solar Investment and ultimately to Clearway Energy Group, through its noncontrolling interest in Clearway Energy LLC. Clearway Renew owns the Class C membership interests in the Company, which are not participating interests and provide for the potential future allocation of cash in the event of excess returns on investment to HASI. Clearway Renew is a direct wholly-owned subsidiary of Clearway Energy Group. The Company is governed by an Amended and Restated Limited Liability Company Agreement, or LLCA, which is further described below.

As of December 31, 2022, Clearway Energy, Inc., through its ownership of Class A and Class C common stock, had a 57.88% economic interest in Clearway Energy LLC, while Clearway Energy Group, through its ownership of Class B and Class D common stock, had a 54.91% voting interest in Clearway Energy, Inc. and a 42.12% economic interest in Clearway Energy LLC.

ROSIE TARGETCO LLC AND SUBSIDIARIES

The diagram below represents a summarized structure of the Company as of December 31, 2022:



A summary of the major agreements entered into by the Company is set forth below:

(a) Power Purchase Agreements

Golden Fields Solar III is contracted under the following power purchase agreements, or PPA agreements, to deliver the energy output of the Facility as well as resource adequacy and renewable energy attributes. Revenue consists of payments based on fixed contract prices and variable market prices applied to actual production amounts. Under the terms of the PPA agreements, Golden Fields Solar III has guaranteed certain performance output that if not achieved could result in the payment of shortfall amounts commencing with COD. See note 2(k), *Revenue Recognition,* for more information.

PPA offtaker	Effective date	Contract capacity (MW)	PPA term [(a)]
City of Palo Alto	02/25/2020	26	25 years
East Bay Community Energy Authority	07/26/2019	112	15 years
Clean Power Alliance	01/30/2020	40	15 years
		178	

(a) PPA term commenced on COD or on January 1, 2023 with respect to City of Palo Alto.

(b) Edison Electric Institute Master Power Purchase and Sale Agreement

Golden Fields Solar III and EDF Trading North America, LLC, or EDF, are parties to an Edison Electric Institute Master Power Purchase and Sale Agreement, or Master Agreement, dated as of May 1, 2021. Under the Master Agreement, Golden Fields Solar III is contracted under a ten-year agreement to sell 20% of the green attributes and renewable energy credits, or RECs, generated by the Facility and in an amount no less than the guaranteed REC production with terms extending through April 30, 2031. In accordance with the Master Agreement, RECs are allowed to be sold to EDF at a contract price (comprised of an energy price less an equivalent California Independent System Operator credit plus a fixed green attribute price) as defined in the agreement for each MWh of product delivered to EDF. Golden Fields Solar III has guaranteed certain performance output that if not achieved could result in the payment of shortfall amounts.

(c) *Facility Engineering, Procurement and Construction, or EPC, Agreement*

Golden Fields Solar III was party to a fixed-price contract with McCarthy Building Companies, Inc., or McCarthy, for the design, engineering, construction, and commissioning of the Facility for $130.0 million, that was subject to price adjustments as defined in the agreement. During the year ended December 31, 2021, the Company incurred costs under this agreement of $0.6 million, all of which were reflected in property, plant, and equipment, net on the accompanying consolidated balance sheet. Amounts due to McCarthy of $16.4 million were included in accounts payable – trade as of December 31, 2020 and were paid during 2021. Amounts due to McCarthy of $330 thousand included in accounts payable – trade as of December 31, 2021 were paid in January 2022. The Company's obligations have been fulfilled under the agreement.

(d) *Limited Liability Company Agreement*

The Company is governed by the LLCA. The LLCA provides for allocations of income, taxable items and available cash, which are 50.0% to the Class A Member and 50.0% to the Class B Member, except that allocations of available cash are first utilized to pay back member loans, if any. In addition, subsequent to November 20, 2035, up to 80% of the Class A Member's cash may be allocated to the Class B Member under the provisions of a related agreement, which provides a reallocation of cash in order to ensure that the Class B Member achieves its target return on investment. If the Class B Member achieves a return above a specified threshold, certain amounts may be allocated to Clearway Renew, through its ownership of the Class C membership interests.

In accordance with the provision of the LLCA, the Class A Member is the Manager, as defined, and conducts the activities of the Company on behalf of the members. The Manager has engaged Clearway Asset Services LLC to perform certain of its duties as Manager. All management services provided are at the direction of the Manager, and the Manager retains its obligations with respect to its duties and responsibilities. See note 8, *Related Party Transactions*, for additional information regarding the management services agreement. In addition, the LLCA establishes both a review committee, which is responsible for material decisions that protect the interests of both the Class A Member and Class B Member, and is comprised of two members appointed by each of the Class A Member and Class B Member, and an operations committee, which is responsible for advising the Company and the review committee with respect to the Company's operations.

(2) Summary of Significant Accounting Policies

(a) *Basis of Presentation and Principles of Consolidation*

The Company's consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States, or U.S. GAAP. The Accounting Standards Codification, or ASC, established by the Financial Accounting Standards Board, or FASB, is the source of authoritative U.S. GAAP to be applied by nongovernmental entities.

The consolidated financial statements include the Company's accounts and operations and those of its subsidiaries in which the Company has a controlling financial interest. All significant intercompany transactions and balances have been eliminated in the consolidated financial statements. The usual condition for a controlling financial interest is ownership of a majority of the voting interests of an entity. However, a controlling financial interest may also exist through arrangements that do not involve controlling voting interests. As such, the Company applies the guidance of ASC 810, *Consolidations*, to determine when an entity that is not controlled through its voting interests should be consolidated.

(b) Restricted Cash

The following table provides a reconciliation of cash and restricted cash reported within the consolidated balance sheets that sum to the total of the same such amounts shown in the consolidated statements of cash flows as of December 31, 2022 and 2021 (in thousands):

	2022	**2021**
Cash	$ 3,738	$ 944
Restricted cash	867	6,027
Cash and restricted cash shown in the consolidated statements of cash flows	$ 4,605	$ 6,971

Restricted cash consists of funds held in reserves primarily to meet debt service reserve requirements per the terms of the Rosie Class B's debt agreement. The decrease in restricted cash from December 31, 2021 to December 31, 2022 also reflects $330 thousand paid to McCarthy pursuant to the EPC Agreement in January 2022 and $3.0 million distributed to Clearway Renew in February 2022 for reimbursement of construction payments.

(c) Accounts Receivable – Trade

Trade accounts receivable are recorded at the invoiced amount and do not bear interest. There was no allowance for credit losses as of December 31, 2022 and 2021.

(d) Inventory

Inventory consists of spare parts and is valued at weighted average cost, unless evidence indicates that the weighted average cost will not be recovered with a normal profit in the ordinary course of business. Spare parts inventory is removed when used for repairs, maintenance, or capital projects.

(e) Property, Plant, and Equipment

Property, plant, and equipment are stated at cost; however, impairment adjustments are recorded whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable. Significant additions or improvements extending asset lives are capitalized as incurred, while repairs and maintenance that do not improve or extend the life of the respective asset are charged to expense as incurred. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Certain assets and their related accumulated depreciation amounts are adjusted for asset retirements and disposals with the resulting gain or loss included in cost of operations in the consolidated statement of operations and comprehensive income. See note 4, *Property, Plant, and Equipment,* for additional information.

(f) Asset Impairments

Long-lived assets that are held and used are reviewed for impairment whenever events or changes in circumstances indicate their carrying amounts may not be recoverable. Such reviews are performed in accordance with ASC 360, *Property, Plant, and Equipment*. An impairment loss is indicated if the total future estimated undiscounted cash flows expected from an asset are less than its carrying amount. An impairment charge is measured as the excess of an asset's carrying amount over its fair value with the difference recorded in operating costs and expenses in the consolidated statement of operations and comprehensive income. Fair values are determined by a variety of valuation methods, including third-party appraisals, sales prices of similar assets, and present value techniques. There were no indicators of impairment loss as of December 31, 2022 and 2021.

(g) Debt Issuance Costs

Debt issuance costs consist of legal fees and closing costs incurred by the Company in obtaining its financing. These costs are capitalized and amortized as interest expense using the effective interest method over the term of the financing obligation and are presented on the consolidated balance sheets as a direct deduction from the carrying amount of the related debt.

Amortization expense, included in interest expense in the consolidated statement of operations and comprehensive income, was $365 thousand and $367 thousand for the years ended December 31, 2022 and 2021, respectively.

(h) Leases

The Company accounts for its leases under ASC 842 *Leases*, or Topic 842. Topic 842 requires the establishment of a lease liability and related right-of-use asset for all leases with a term longer than 12 months. The Company evaluates each arrangement at inception to determine if it contains a lease.

The Company records its operating lease liabilities at the present value of the lease payments over the lease term at lease commencement date. Lease payments include fixed payment amounts. The Company determines the relevant lease term by evaluating whether renewal and termination options are reasonably certain to be exercised. The Company uses its incremental borrowing rate to calculate the present value of the lease payments, based on information available at the lease commencement date.

All of the Company's leases are operating leases. See note 9, *Leases* for information on the Company's leases.

(i) Note Receivable

As part of the Company's obligations under its interconnection agreements, the Company paid Southern California Edison Company to construct certain interconnection facilities to allow the Facility to connect to the power grid. A portion of the transmission and interconnection costs plus interest are directly reimbursable to the Company on a quarterly basis over a five-year period. In 2022, the Company recorded a \$3.1 million note receivable and a corresponding reduction to property, plant, and equipment. At December 31, 2022, the current and non-current note receivable balance was \$616 thousand and \$2.0 million, respectively. The note accrues interest at a variable rate based on Federal Energy Regulatory Commission's regulation at 18 C.F.R.§35.19a(a)(2)(iii), which was 4.91% at December 31, 2022.

(j) Income Taxes

The Company is classified as a partnership for federal and state income tax purposes. Therefore, federal and state income taxes are assessed at the partner level. Accordingly, no provision has been made for federal or state income taxes in the accompanying consolidated financial statements. The Company has determined that, based on a more-likely-than not evaluation of the tax positions taken, there are no material uncertain tax positions to be recognized as of December 31, 2022 and 2021 by the Company.

(k) Revenue Recognition

Revenue from Contracts with Customers

The Company applies the guidance in ASC 606, *Revenue from Contracts with Customers*, or ASC 606, when recognizing revenue associated with its contracts with customers. The Company's policies with respect to its various revenue streams are detailed below. In general, the Company applies the invoicing practical expedient to recognize revenue for the revenue streams detailed below, except in circumstances where the invoiced amount does not represent the value transferred to the customer.

Power Purchase Agreements

Operating revenues consist of revenue from electricity sales obtained through PPAs, of which 152 MWs were effective during 2022 and 2021. The Company sells power as described in note 1(a), *Power Purchase Agreements*. The PPAs are derivative financial instruments that qualify for the normal purchase normal sale exception and as such, the PPAs are accounted for under the revenue recognition guidance in ASC 606, and revenue is recognized when the underlying power is delivered.

For the years ended December 31, 2022 and 2021, the Company recorded revenue of $6.8 million (net of losses under the PPAs of $19.4 million) and $8.0 million (net of losses under the PPAs of $7.6 million), respectively, included in operating revenues in the consolidated statements of operations and comprehensive income. During 2022 and 2021, the losses under the PPAs were primarily due to unfavorable market prices as the Company's PPAs with counterparties provide for adjustments to the contract price per contract for realized locational marginal price.

Merchant Revenue

For the years ended December 31, 2022 and 2021, the Company recorded $6.8 million and $4.1 million, respectively, of merchant revenue included in operating revenues in the consolidated statements of operations and comprehensive income for power sold to Tenaska Power Services Co., a qualified scheduling entity for the Facility. This merchant revenue is accounted for in accordance with ASC 606, utilizing the invoicing practical expedient, which represents the electricity delivered.

Congestion Revenue Rights, or CRRs

Golden Fields Solar III manages its exposure to congestion costs that affect locational marginal pricing associated with its PPAs through the use of CRRs which are financial instruments made available through the CRR auction that enable CRR holders to manage variability. On October 14, 2022, Golden Fields Solar III executed into a First Amendment to the Scheduling Coordinator Agreement with Tenaska Power Services. Pursuant to this agreement, Tenaska Power Services will participate in the California Independent System Operator Corporation, or CAISO, monthly and annual CRR auctions on behalf of Golden Fields Solar III. The agreement requires Golden Fields Solar III to pay a monthly service fee, with an annual escalation of 2.00%, and a base sharing fee as defined in the agreement.

In connection with Tenaska Power Services participating in the auction on Golden Fields Solar III's behalf, the Company posted cash collateral of approximately $1.0 million to allow Tenaska Power Services to pay the CAISO. The cash collateral is returned to Golden Fields Solar III by Tenaska Power Services through energy settlement payments. As of December 31, 2022, the remaining cash collateral was $29 thousand included in prepayments and other current assets, which was repaid during January 2023. During 2022, Golden Fields Solar III was awarded bid volumes for on-peak CRRs for the fourth quarter of 2022 and certain periods in 2023. Total bid costs incurred related to the December 2022 auction and the 2023 auction totaled $919 thousand, of which $23 thousand related to the December 2022 auction and $896 thousand related to the 2023 auction, which will be amortized on a straight-line basis as a reduction to operating revenues over thirteen months. As of December 31, 2022, $827 thousand was included in prepayments and other current assets on the Company's consolidated balance sheet. For the year ended December 31, 2022, settlements totaled $44 thousand offset by amortization expense of $92 thousand, included in operating revenues in the consolidated statement of operations and comprehensive income.

Renewable Energy Certificates/Credits, or RECs

Golden Fields Solar III has an agreement with EDF to sell RECs generated by the Facility as described in note 1(b), *Edison Electric Institute Master Power Purchase and Sale Agreement.* Effective June 1, 2021, Golden Fields Solar III contracted with Verdant Energy Services LLC to sell RECS generated by the Facility in accordance with the quantities and contract prices in the agreement through August 2021. The REC agreements are derivative financial instruments that qualify for the normal purchase normal sale exception and as such, the REC agreements are accounted for under the revenue recognition guidance in ASC 606. Revenue is recognized as the REC is generated based on actual production multiplied by the contract price. REC revenue is accrued and billed on a monthly basis. For each of the years ended December 31, 2022 and 2021, the Company recorded $1.7 million, of REC revenues under these agreements included in operating revenues in the consolidated statements of operations and comprehensive income.

Resource Adequacy

The Company's PPAs provide for the sale of resource adequacy for 178 MW to the Company's PPA counterparties. In 2021, Golden Fields Solar III entered into resource adequacy agreements for previously uncontracted MWs governed by the Master Agreement. Golden Fields Solar III contracted with Direct Energy Business Marketing, LLC to sell 67.71 MW of resource adequacy at a fixed price commencing on June 1, 2021 and delivered through December 31, 2022. Golden Fields Solar III also contracted with Valley Electric Association, Inc. to sell 3.03 MW of resource adequacy at a fixed price for May 1, 2021 through May 31, 2021. On November 16, 2022, Golden Fields Solar III contracted with East Bay Community Energy Authority to sell 13.6 MW of resource adequacy at a fixed price for January 1, 2023 through December 31, 2023. For the years ended December 31, 2022 and 2021, the Company recorded $488 thousand and $338 thousand of revenues under these agreements included in operating revenues in the consolidated statements of operations and comprehensive income.

(l) Derivative Financial Instruments

The Company accounts for derivative financial instruments in accordance with ASC 815, *Derivatives and Hedging*, which requires the Company to recognize all derivative instruments on the balance sheet as either assets or liabilities and to measure them at fair value each reporting period unless they qualify for a normal purchase normal sale exception. Changes in the fair value of non-hedge derivatives are immediately recognized in earnings.

The Company uses interest rate swaps to manage its interest rate exposure on long-term debt, which have been designated as cash flow hedges, if certain conditions are met. Changes in the fair value of derivatives accounted for as cash flow hedges are deferred and recorded as a component of accumulated other comprehensive income, or OCI, until the hedged transactions occur and are recognized in earnings.

On an ongoing basis, the Company qualitatively assesses the effectiveness of its derivatives that are designated as cash flow hedges for accounting purposes in order to determine that each derivative continues to be highly effective in offsetting changes in cash flows of hedged items. If necessary, the Company will perform an analysis to measure the statistical correlation between the derivative and the associated hedged item to determine the effectiveness of such an interest rate swap designated as a hedge. The Company will discontinue hedge accounting if it is determined that the hedge is no longer effective. In this case, the gain or loss previously deferred in accumulated OCI would be frozen until the underlying hedged instrument is delivered, unless the transactions being hedged are no longer probable of occurring in which case the amount in OCI would be immediately reclassified into earnings. See note 3, *Accounting for Derivative Instruments and Hedging Activities*, for more information.

(m) Risks and Uncertainties

Financial instruments which potentially subject the Company to concentrations of credit risk consist primarily of accounts receivable – trade and derivative instruments. Accounts receivable are concentrated with a small group of customers. The concentration with these customers may impact the Company's overall exposure to credit risk, either positively or negatively, in that the customers may be similarly affected by changes in the economic, industry, or other conditions. The Company is also exposed to credit losses in the event of noncompliance by counterparties to its derivative financial instruments.

Due to the concentration of sales to a small group of customers, the Company is exposed to credit risk of potential nonperformance by its customers, which could impact liquidity if a customer was to experience financial difficulties. The maximum amount of loss due to credit risk, should the customers fail to perform, is the amount of the outstanding receivable and any losses associated with replacing these customers.

Risks associated with the Company's operations include the performance of Golden Fields Solar III below expected levels of efficiency and output, shutdowns due to the breakdown or failure of equipment, which could be further impacted by the inability to obtain replacement parts, or catastrophic events such as extreme weather, fires, earthquakes, floods, explosions, pandemics, or other similar occurrences affecting a power generation facility or its energy purchaser.

(n) Fair Value of Financial Instruments

The Company accounts for the fair value of financial instruments in accordance with ASC 820, *Fair Value Measurement*, or ASC 820. The Company does not hold or issue financial instruments for trading purposes.

ASC 820 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three levels as follows:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company has the ability to access as of the measurement date.
- Level 2 – Inputs other than quoted prices included in Level 1 that are directly observable for the asset or liability or indirectly observable through corroboration with observable market data.
- Level 3 – Unobservable inputs for the asset or liability only used when there is little, if any, market activity for the asset or liability at the measurement date.

In accordance with ASC 820, the Company determines the level in the fair value hierarchy within which each fair value measurement in its entirety falls, based on the lowest level input that is significant to the fair value measurement in its entirety.

For cash, restricted cash, accounts receivable – trade, accounts payable – trade, accounts payable – affiliate, and accrued liabilities, the carrying amounts approximate fair value because of the short-term maturity of those instruments and are classified as Level 1 within the fair value hierarchy.

The carrying amount of the note receivable approximates fair value at December 31, 2022 as it carries a variable interest rate. The fair value of the note receivable is based on expected future cash flows discounted at market interest rates, and is classified as Level 3 within the fair value hierarchy.

The carrying amount and estimated fair value of the Company's recorded financial instrument not carried at fair market value or that does not approximate fair value as of December 31, 2022 and 2021 is as follows (in thousands):

	2022		2021	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Long-term debt, including current portion [a]	$ 76,308	$ 75,159	$ 78,136	$ 77,545

[a] Excludes net debt issuance costs, as shown in note 5, *Long-Term Debt*.

The fair value of long-term debt is based on expected future cash flows discounted at current interest rates for similar instruments with equivalent credit quality and is classified as Level 3 within the fair value hierarchy.

Derivative instruments, consisting of interest rate swaps, are recorded at fair value on the Company's consolidated balance sheets on a recurring basis and are classified as Level 2 within the fair value hierarchy as the fair value is determined using an income approach, which use readily observable inputs, such as forward interest rates and contractual terms to estimate fair value. The fair value of each contract is discounted using a risk free interest rate. In addition, the Company applies a credit reserve to reflect credit risk, which for interest rate swaps is calculated using the bilateral method based on published default probabilities. The credit reserve is added to the discounted fair value to reflect the exit price that a market participant would be willing to receive to assume the Company's liabilities or that a market participant would be willing to pay for the Company's assets. For further discussion of interest rate swaps, see note 3, *Accounting for Derivative Instruments and Hedging Activities*.

(o) Commitments and Contingencies

In the normal course of business, the Company is subject to various claims and litigation. Management of the Company expects that these various litigation items will not have a material adverse effect on the results of operations, cash flows, or financial position of the Company.

(p) Asset Retirement Obligations

The Company accounts for its asset retirement obligations, or AROs, in accordance with ASC 410-20, *Asset Retirement Obligations*, or ASC 410-20. Retirement obligations associated with long-lived assets included within the scope of ASC 410-20 are those for which a legal obligation exists under enacted laws, statutes, and written or oral contracts, including obligations arising under the doctrine of promissory estoppel, and for which the timing and/or method of settlement may be conditional on a future event. ASC 410-20 requires the Company to recognize the fair value of a liability for an ARO in the period in which it is incurred and a reasonable estimate of fair value can be made.

Upon initial recognition of a liability for an ARO, other than when an ARO is assumed in an acquisition of the related long-lived asset, the Company capitalizes the asset retirement cost by increasing the carrying amount of the related long-lived asset by the same amount. Over time, the liability is accreted to its future value, while the capitalized cost is depreciated over the useful life of the related asset. See note 6, *Asset Retirement Obligations*, for further information.

(q) Tax Equity Arrangements

The Company's noncontrolling interest in subsidiaries represents the Class A Member's interest in the net assets of Rosie TE HoldCo under a tax equity arrangement, which is consolidated by the Company. The Company has determined that the provisions in the contractual agreements of this structure represents a substantive profit sharing arrangement. Further, the Company has determined that the appropriate methodology for calculating the noncontrolling interest that reflects the substantive profit sharing arrangements is a balance sheet approach utilizing the hypothetical liquidation at book value, or HLBV, method. Under the HLBV method, the amounts reported as noncontrolling interests represent the amounts the Class A Member would hypothetically receive at each balance sheet date under the liquidation provisions of the contractual agreements, assuming the net assets of the funding structures were liquidated at their recorded amounts determined in accordance with U.S. GAAP. The Class A Member's interests in the results of operations of the funding structure are determined as the difference in noncontrolling interests at the start and end of each reporting period, after taking into account any capital transactions between the structure and its investors. The calculations utilized to apply the HLBV method include estimated calculations of taxable income or losses for each reporting period.

(r) Use of Estimates

The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the consolidated financial statements, and reported amounts of expenses during the reporting period. Actual results may differ from those estimates.

(3) Accounting for Derivative Instruments and Hedging Activities

(a) Interest Rate Swaps

In accordance with the credit agreement, as described in note 5, *Long-Term Debt*, the Company has a series of fixed for floating interest rate swaps for 95% of the outstanding term loan amount, intended to hedge the risks associated with floating interest rates. The interest rate swap agreements were entered into on February 25, 2020, became effective on December 31, 2020, amortize through July 31, 2044, and have a mandatory early termination date of January 31, 2028. The Company pays its counterparties quarterly the equivalent of a weighted average rate of 1.446% fixed interest payment on a predetermined notional amount, and the Company receives quarterly the equivalent of a floating interest payment based on three-month London Interbank Offered Rate, or LIBOR, calculated on the same notional amount.

(b) Volumetric Underlying Derivative Transactions

The total notional amount of the forward-starting interest rate swaps was $72.5 million and $74.2 million at December 31, 2022 and 2021, respectively. The notional amount of the interest rate swaps will decrease in proportion to the principal balance of the loan.

swaps will decrease in proportion to the principal balance of the loan.

(c) Fair Value of Derivative Transactions

The following table summarizes the Company's derivative assets and liabilities on the consolidated balance sheets as of December 31, 2022 and 2021 (in thousands):

	2022	2021
Derivatives designated as cash flow hedges:		
Derivative assets:		
Interest rate contracts current	$ 2,095	$ —
Interest rate contracts long-term	9,742	1,439
Total derivative assets	$ 11,837	$ 1,439
Derivative liabilities:		
Interest rate contracts current	$ —	$ 557
Total derivative liabilities	$ —	$ 557

(d) Accumulated Other Comprehensive Income (Loss)

The following table summarizes the effects on the Company's accumulated OCI balance attributable to interest rate swaps designated as cash flow hedge derivatives (in thousands):

Accumulated OCI balance at December 31, 2020	$ (3,271)
Mark-to-market of cash flow hedge accounting contracts	3,830
Reclassified from accumulated OCI into income due to realization of previously deferred amounts	323
Accumulated OCI balance at December 31, 2021	882
Mark-to-market of cash flow hedge accounting contracts	10,874
Reclassified from accumulated OCI into income due to realization of previously deferred amounts	81
Accumulated OCI balance at December 31, 2022	$ 11,837

Amounts reclassified from accumulated OCI into income are recorded to interest expense. As of December 31, 2022, $2.1 million of gains are expected to be realized from accumulated OCI during the next 12 months. Actual amounts reclassified into earnings could vary from the amounts currently recorded as a result of future changes in interest rates.

(4) Property, Plant, and Equipment

The Company's major classes of property, plant, and equipment as of December 31, 2022 and 2021 were as follows (in thousands):

	2022	2021	Depreciable lives
Plant equipment	$ 245,921	$ 248,862	10 - 30 years
Buildings	123	125	30 years
Land improvements	8,236	8,332	20 - 25 years
Transmission assets	3,346	3,385	25 years
Total property, plant, and equipment	257,626	260,704	
Less accumulated depreciation	(19,301)	(10,047)	
Net property, plant, and equipment	$ 238,325	$ 250,657	

As discussed in note 2(i), *Note Receivable,* the Company recorded a transmission credits refund of $3.1 million as a reduction to property, plant, and equipment for the year ended December 31, 2022.

(5) Long-Term Debt

Rosie DevCo LLC and Rosie Class B, designated co-borrowers, executed a borrowing arrangement with a consortium of banking institutions, or the Financing Agreement, for the construction financing of assets. The Financing Agreement provided for up to $246.5 million in financing and total letters of credit of $23.8 million. The Financing Agreement consisted of a $90.7 million construction loan, of which the remaining $79.8 million converted to a term loan upon completion of construction, $132.1 million investment tax credit repaid in full, and a $23.7 million cash equity bridge loan repaid in full. The term loan has an interest rate of three-month LIBOR plus an applicable margin of 1.75% per annum, which escalates 0.25% on the fourth anniversary of term conversion. The term loan will mature on December 31, 2027 and is secured by the Company's interests in the Facility. The term loan was assigned to Rosie Class B.

At December 31, 2022, outstanding letters of credit totaled $17.2 million, $14.6 million supporting the PPAs and Master Agreement and $2.6 million to support the debt service reserve requirement under the Financing Agreement. The Company pays on a quarterly basis a letter of credit fee of 1.875% per annum on amounts outstanding on the letter of credit facility, which escalates 0.25% on the fourth anniversary of term conversion.

As of December 31, 2022 and 2021, long-term debt consists of the following (in thousands):

	2022	2021
Total long-term debt (including current maturities)	$ 76,308	$ 78,136
Less current maturities	(2,608)	(1,828)
Less debt issuance costs, net	(1,055)	(1,420)
Long-term debt	$ 72,645	$ 74,888

Distributions from the Company are subject to compliance with the terms and conditions defined in the Financing Agreement, including a covenant to meet a required debt service coverage ratio of 1.20 to 1.0. At December 31, 2022, Rosie Class B is in compliance with the various restrictive covenants defined in the Financing Agreement.

Annual payments based on the maturities of the Company's debt as of December 31, 2022 are summarized as follows (in thousands):

Year ending December 31:	
2023	$ 2,608
2024	2,803
2025	2,793
2026	2,856
2027	65,248
	$ 76,308

In March 2020, the FASB issued ASU No. 2020-4, *Facilitation of the Effects of Reference Rate Reform on Financial Reporting*. The amendments provide for optional expedients and exceptions for applying GAAP to contracts, hedging relationships and other transactions affected by reference rate reform if certain criteria are met. These amendments apply only to contracts that reference LIBOR or another reference rate expected to be discontinued because of reference rate reform, which affects the Company's debt and interest rate swap agreements. The guidance is effective for all entities as of March 12, 2020 through December 31, 2022. In December 2022, the FASB issued ASU No. 2022-6, *Deferral of the Sunset Date of Reference Rate Reform*, to extend the end of the transition period to December 31, 2024. As of December 31, 2022, the Company has applied the amendments to all its eligible contract modifications, where applicable, no later than June 30, 2023, the LIBOR cessation date.

(6) Asset Retirement Obligations

The Company's AROs are primarily related to future costs associated with site reclamation, facilities dismantlement, and removal of environmental hazards. The following table represents the balance of the AROs, along with the related activity for the year ended December 31, 2022 (in thousands):

Balance as of December 31, 2021	$	5,385
Accretion expense		393
Balance as of December 31, 2022	$	5,778

(7) Variable Interest Entities, or VIEs

The Company has a controlling financial interest in Rosie TE Holdco, a tax equity arrangement entered into with a third party, which has been identified as a VIE under ASC 810, *Consolidations*.

As described in note 1, *Nature of Business*, the Company's subsidiary, Rosie Class B, is the Class B Member of the Rosie TE HoldCo tax equity arrangement and under the Rosie TE HoldCo LLCA, Rosie Class B conducts and directs all operating activities of Rosie TE HoldCo and is obligated to obtain and maintain letters of credit, guarantees or other security as required by the terms of any major agreement entered into by Golden Fields Solar III.

On October 14, 2022, Rosie Class B executed an amendment of the Rosie TE HoldCo LLCA with respect to acquiring CRRs by adding a new section regarding Energy Trading and Risk Management. The amendment specifies that Golden Fields Solar III may participate in CRR transactions in the CAISO CRR market directly or through Tenaska Power Services for all calendar quarters except that CRR transactions shall not be scheduled for nor executed for the third quarter, and all CRR transactions are subject to restrictions as defined in the amendment. See note 2(k) *Revenue Recognition*, for information on the acquisition of CRRs in 2022.

The Company, through its ownership of Rosie Class B, consolidates Rosie TE HoldCo, as it is the primary beneficiary through its role as the managing member of the tax equity arrangement, and has the ability to direct the activities that most significantly impact the economics of the business. Rosie Class B also has an obligation to absorb losses as well as the right to receive residual returns, through its ownership interests. Accordingly, Rosie Class B continues to consolidate Rosie TE HoldCo subsequent to the sale of Class A membership interests to Morgan Stanley on November 20, 2020. The Company shows the Class A membership interests owned by Morgan Stanley as noncontrolling interests on the Company's consolidated balance sheet.

The summarized financial information for Rosie TE HoldCo consisted of the following (in thousands):

	As of December 31,	
	2022	**2021**
Other current and non-current assets	$ 29,548	$ 22,026
Property, plant, and equipment, net	238,325	250,657
Total assets	267,873	272,683
Current liabilities	4,956	1,542
Non-current liabilities	20,722	20,238
Total liabilities	25,678	21,780
Net assets	$ 242,195	$ 250,903

(8) Related Party Transactions

The Company has the following related party transactions and relationships in addition to the lease agreement described in note 9, *Leases*. Amounts due to Clearway Energy Group subsidiaries are recorded as accounts payable – affiliate and amounts due to the Company from Clearway Energy Group subsidiaries are recorded as accounts receivable – affiliate on the Company's consolidated balance sheets. These account balances are netted by affiliate party.

The Company has a Management Services Agreement for asset management and administration services with Clearway Asset Services LLC. The agreement has an initial term of ten years commencing on December 21, 2020 with provisions for extension until terminated. The agreement provides for the payment of fixed fees that escalate annually, as defined in the agreement, and for the reimbursement of reasonable expenses incurred in connection with its services. For the year ended December 31, 2022, the Company incurred costs of approximately $37 thousand under this agreement. These costs are included in cost of operations in the consolidated statement of operations and comprehensive income.

Rosie TE Holdco has a Project Administration Agreement, or PAA, with Clearway Asset Services LLC, a subsidiary of Clearway Energy Group. The PAA has an initial term of twenty years commencing on February 25, 2020, with provisions for extension until terminated. The PAA provides for the payment of fixed fees that escalate annually, as defined in the agreement, and for the reimbursement of reasonable expenses incurred in connection with its services. For the years ended December 31, 2022 and 2021, the Company incurred costs of $187 thousand and $183 thousand, respectively, under this agreement. These costs are included in cost of operations in the consolidated statements of operations and comprehensive income.

Golden Fields Solar III has an amended Operations and Maintenance Agreement, or O&M Agreement, with Clearway Renewable Operation & Maintenance LLC, or RENOM, a subsidiary of Clearway Energy Group. The initial term of the agreement is twenty years commencing on February 25, 2020, and will automatically renew for an additional five year period unless terminated by either party as provided for in the O&M Agreement. Golden Fields Solar III is obligated to reimburse RENOM its mobilization fees, commissioning and start-up expenses, direct operating expenses, capital improvement expenses, and corporate overhead expenses on a monthly basis. The O&M Agreement also requires Golden Fields Solar III to pay an annual profit fee, with an annual escalation of 2.00%, to RENOM if certain conditions are met. For the years ended December 31, 2022 and 2021, the Company incurred costs of $1.8 million and $1.3 million, respectively, under this agreement. These costs are included in cost of operations in the consolidated statements of operations and comprehensive income.

(9) Leases

Golden Fields Solar III was assigned a solar facility ground lease agreement with HA Rosamond LLC, an affiliate of HASI, which grants Golden Fields Solar III nonexclusive easement rights to use the land on which the solar power facilities are located for a period of 35 years commencing June 15, 2017. On November 18, 2020, Golden Fields Solar III entered into a solar facility ground lease agreement with Rosie Land Holdings LLC, a subsidiary of Clearway Renew, which grants Golden Fields Solar III nonexclusive easement rights to use the land on which the solar power facilities are located for a period of 35 years through March 31, 2056. Golden Fields Solar III has the right to extend the terms for two additional five-year periods.

Lease expense for each of the years ended December 31, 2022 and 2021 was $1.1 million. These costs are included in cost of operations in the consolidated statements of operations and comprehensive income.

Operating lease information as of December 31, 2022 and 2021 was as follows (in thousands, except term and rate):

		2022		2021
Right-of-use assets - operating leases, net	$	13,899	$	14,160
Short-term lease liability - operating leases	$	(91)	$	(104)
Long-term lease liability - operating leases		14,944		14,853
Total lease liabilities	$	14,853	$	14,749
Weighted average remaining lease term		33 years		34 years
Weighted average discount rate		5.49 %		5.49 %

		Year ended December 31,		
		2022		2021
Cash paid for operating leases	$	709		564

Minimum future rental payments of operating lease liabilities as of December 31, 2022 are as follows (in thousands):

2023	$	726
2024		744
2025		763
2026		782
2027		802
Thereafter		31,984
Total lease payments		35,801
Less imputed interest		(20,948)
Total lease liability - operating leases	$	14,853

(10) Subsequent Events

The Company has evaluated subsequent events from the balance sheet date through March 24, 2023, the date at which the consolidated financial statements were available to be issued, and determined that there are no other items to disclose.

ROSIE TARGETCO LLC AND SUBSIDIARIES

Consolidated Financial Statements

December 31, 2020

(With Independent Auditors' Report Thereon)

ROSIE TARGETCO LLC AND SUBSIDIARIES

Table of Contents

KPMG LLP
1601 Market Street
Philadelphia, PA 19103-2499

Independent Auditors' Report

The Member
Rosie Targetco, LLC:

We have audited the accompanying financial statements of Rosie Targetco, LLC, which comprise the balance sheet as of December 31, 2020, and the related statements of operations and comprehensive loss, member's equity, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Rosie Targetco, LLC as of December 31, 2020, and the results of its operations and its cash flows for the year then ended in accordance with U.S. generally accepted accounting principles.

KPMG LLP

Philadelphia, Pennsylvania
April 29, 2021

ROSIE TARGETCO LLC AND SUBSIDIARIES

Consolidated Balance Sheet

December 31, 2020

(In thousands)

Assets		**2020**
Current assets:		
Cash	$	1,069
Restricted cash		23,207
Accounts receivable – trade		730
Total current assets		25,006
Property, plant, and equipment, net		257,608
Other assets:		
Right of use assets, net		14,428
Other non-current assets		1,467
Total other assets		15,895
Total assets	$	298,509
Liabilities and Equity		
Current liabilities:		
Current portion of long-term debt	$	1,625
Accounts payable – trade		16,697
Accounts payable – affiliate		101
Accrued liabilities		106
Derivative instruments		798
Lease liabilities		(188)
Accrued interest expense		8
Total current liabilities		19,147
Other liabilities:		
Long-term debt		76,350
Derivative instruments		2,473
Asset retirement obligations		5,019
Long-term lease liabilities		14,749
Total non-current liabilities		98,591
Total liabilities		117,738
Commitments and contingencies		
Equity:		
Member's equity		104,858
Total Rosie TargetCo member's equity		104,858
Noncontrolling interests		75,913
Total equity		180,771
Total liabilities and equity	$	298,509

See accompanying notes to consolidated financial statements.

See accompanying notes to consolidated financial statements.

ROSIE TARGETCO LLC AND SUBSIDIARIES

Consolidated Statement of Operations and Comprehensive Income

Year ended December 31, 2020

(In thousands)

		2020
Operating revenues:		
Total operating revenues	$	730
Operating costs and expenses:		
Cost of operations		1,416
Depreciation		1,125
Total operating costs and expenses		2,541
Operating loss		(1,811)
Other expense:		
Loss on debt extinguishment		(2,904)
Interest expense		(645)
Total other expense		(3,549)
Net loss		(5,360)
Less: net loss attributable to noncontrolling interest		(55,613)
Net income attributable to Rosie TargetCo LLC and subsidiaries		50,253
Other comprehensive loss:		
Unrealized loss on derivatives		(3,271)
Other comprehensive loss		(8,631)
Less: comprehensive loss attributable to noncontrolling interest		(55,613)
Comprehensive income attributable to Rosie TargetCo LLC and subsidiaries	$	46,982

See accompanying notes to consolidated financial statements.

ROSIE TARGETCO LLC AND SUBSIDIARIES

Consolidated Statement of Equity

Year ended December 31, 2020

(In thousands)

	Rosamond Solar Investment LLC Contributed capital	HA Lighthouse LLC Contributed capital	Renew Development HoldCo LLC Contributed capital	(Accumulated deficit) Retained earnings	Accumulated other comprehensive loss	Noncontrolling interest	Total equity
Balance at December 31, 2019	$ —	$ —	$ 5,078	$ (9)	$ —	$ —	$ 5,069
Net income (loss)	—	—	—	50,253	—	(55,613)	(5,360)
Unrealized loss on derivatives	—	—	—	—	(3,271)	—	(3,271)
Transfer of membership interest	3,422	—	(3,422)	—	—	—	—
Non-cash contributions	—	—	34,510	—	—	—	34,510
Cash contributions	—	61,894	83,387	—	—	134,617	279,898
Cash distributions	—	—	(126,984)	—	—	—	(126,984)
Transfer of asset to Renew Development HoldCo LLC	—	—	7,431	(7,431)	—	—	—
Payment of transaction costs	—	—	—	—	—	(3,091)	(3,091)
Balance at December 31, 2020	$ 3,422	$ 61,894	$ —	$ 42,813	$ (3,271)	$ 75,913	$ 180,771

See accompanying notes to consolidated financial statements.

ROSIE TARGETCO LLC AND SUBSIDIARIES

Consolidated Statement of Cash Flows

Year ended December 31, 2020

(In thousands)

		2020
Cash flows from operating activities:		
Net loss	$	(5,360)
Adjustments to reconcile net loss to net cash used by operating activities:		
Depreciation		1,125
Reduction in carrying amount of right-of-use assets		41
Amortization of debt issuance costs		207
Loss on debt extinguishment		2,904
Cash (used) provided by changes in other working capital:		
Accounts receivable – trade		(730)
Accounts payable – trade		(1,260)
Accounts payable – affiliate		219
Accrued liabilities		106
Other non-current assets		(1,467)
Operating lease liabilities		92
Net cash used by operating activities		(4,123)
Cash flows from investing activity:		
Capital expenditures		(200,132)
Net cash used by investing activity		(200,132)
Cash flows from financing activities:		
Proceeds from issuance of long-term debt		235,974
Payments of long-term debt		(156,212)
Contributions from members		145,281
Contributions from noncontrolling interests		134,617
Distributions to parent		(126,984)
Payment of debt issuance and transaction costs		(4,145)
Net cash provided by financing activities		228,531
Net increase in cash and restricted cash		24,276
Cash and restricted cash at beginning of period		—
Cash and restricted cash at end of period	$	24,276
Supplemental disclosures:		
Interest paid	$	675
Non-cash investing and financing activities:		
Additions to fixed assets for accrued capital expenditures		53,756
Increase to fixed assets for capitalized asset retirement costs		5,019
Decrease to fixed assets for transfer of land		(7,223)
Increase to lease liabilities due to obtaining ROU assets		14,469
Non-cash contributions - intercompany settlements		34,510

See accompanying notes to consolidated financial statements.

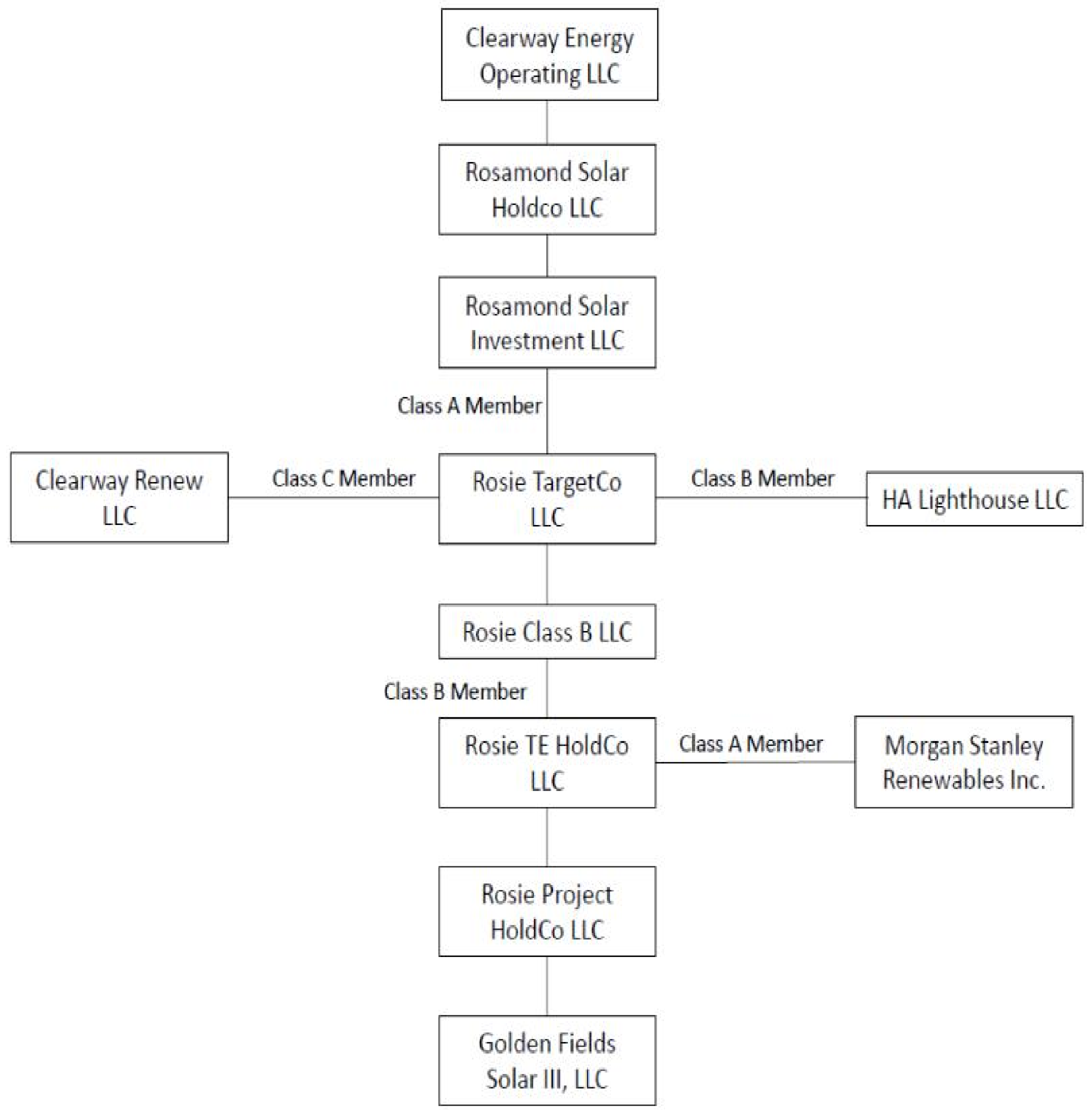
(1) Nature of Business

Rosie TargetCo LLC and subsidiaries, or the Company, a Delaware limited liability company, owns 100% of Rosie Class B LLC, or Rosie Class B, a Delaware limited liability company. Rosie Class B owns 100% of the Class B membership interests of Rosie TE HoldCo LLC or Rosie TE HoldCo. A third party investor, Morgan Stanley Renewables Inc., or Morgan Stanley, owns 100% of the Class A membership interests of Rosie TE HoldCo. Rosie TE HoldCo owns 100% of Rosie Project HoldCo LLC, or Rosie Project HoldCo, which directly owns 100% of Golden Fields Solar III, LLC, or Golden Fields Solar III. Golden Fields Solar III owns a 192-megawatt, or MW, photovoltaic solar generating facility located in Kern County, California, known as the Facility. The Company was formed as the indirect owner of Rosie DevCo LLC, and the owner of Rosie Class B and Rosie Project HoldCo, for the purposes of developing, financing, and constructing the Facility. The Facility achieved 100% commercial operations, or COD, on December 22, 2020. Prior to the acquisition, Rosie DevCo LLC was transferred to a subsidiary of Clearway Renew LLC, or Clearway Renew, and on November 20, 2020, Rosie TE HoldCo acquired Rosie Project HoldCo from Rosie DevCo LLC.

The Company is a limited liability company, whose Class A membership interests are owned by Clearway Energy Operating LLC, through its indirect subsidiary Rosamond Solar Investment LLC, or Rosamond Solar Investment. Clearway Energy Operating LLC acquired its interest in the Company on December 21, 2020. Clearway Energy Operating LLC, is a wholly owned subsidiary of Clearway Energy LLC, which is owned by Clearway Energy, Inc. and Clearway Energy Group LLC, or Clearway Energy Group. The Company's Class B membership interests are owned by HA Lighthouse LLC, or HASI. HASI acquired its interest on November 20, 2020 for cash consideration of $61.9 million. Prior to these ownership changes, the Company's Class A and Class B membership interests were owned by Clearway Renew, a wholly owned subsidiary of Clearway Energy Group. Clearway Energy Group is a wholly owned subsidiary of Global Infrastructure Partners III. Clearway Renew retains the Class C membership interests in the Company, which are not participating interests and provide for the potential future allocation of cash in the event of excess returns on investment to HASI. The Company is governed by an Amended and Restated Limited Liability Company Agreement, or LLCA, which is further described below.

As of December 31, 2020, Clearway Energy, Inc., through its ownership of Class A and Class C common stock, had a 57.61% economic interest in Clearway Energy LLC, while Clearway Energy Group, through its ownership of Class B and Class D common stock, had a 54.93% voting interest in Clearway Energy, Inc. and a 42.39% economic interest in Clearway Energy LLC.

The diagram below represents the organizational structure of the Company:



Prior to November 20, 2020, Rosie Class B directly owned 100% of Rosie TE HoldCo. On November 20, 2020, pursuant to an Equity Capital Contribution Agreement, or ECCA, dated February 25, 2020 and amended November 20, 2020, a portion of Rosie Class B's interest in Rosie TE HoldCo was converted into Class A membership interests and sold to Morgan Stanley for $134.6 million, which is reflected as a cash contribution from noncontrolling interests in the consolidated financial statements. The remaining interest was converted to Class B membership interests held by Rosie Class B. Rosie Class B utilized the tax equity proceeds to repay the tax equity bridge loan for $129.6 million and term converted the remaining construction loan of $79.8 million. See note 5, *Long-Term Debt*, for more information. Clearway Renew's contribution of $39.6 million was utilized to pay the remaining purchase price of Golden Fields Solar III and subsequently, recontributed to fund certain reserve accounts at Rosie TE HoldCo.

A summary of the major agreements entered into by the Company is set forth below:

(a) Power Purchase Agreements

Golden Fields Solar III is contracted under the following power purchase agreements, or PPA agreements, to deliver the energy output of the Facility as well as resource adequacy and renewable energy attributes. Revenue consists of payments based on fixed price applied to actual production amounts. Under the terms of the PPA agreements, Golden Fields Solar III has guaranteed certain performance output that if not achieved could result in the payment of shortfall amounts commencing with COD. See note 2(i), *Revenue Recognition,* for more information.

PPA offtaker	Effective date	Contract capacity (MW)	PPA term [a]
City of Palo Alto	02/25/2020	26	25 years
East Bay Community Energy	07/26/2019	112	15 years
Clean Power Alliance	01/30/2020	40	15 years
		178	

(a) PPA term commences on COD date.

(b) Facility Engineering, Procurement and Construction, or EPC, Agreement

Golden Fields Solar III is party to a fixed-price contract with McCarthy Building Companies, Inc., or McCarthy, for the design, engineering, construction, and commissioning of the Facility for \$127.2 million. As of December 31, 2020, Golden Fields Solar III incurred costs under this agreement of \$129.1 million, all of which were capitalized and reflected in property, plant, and equipment, net on the accompanying consolidated balance sheet. In 2020, the agreement was amended to include change orders totaling \$2.7 million, of which \$0.8 million has not been incurred as of December 31, 2020. Amounts due to McCarthy of \$16.4 million was included in accounts payable – trade as of December 31, 2020.

(c) Construction Administration Agreement

On February 25, 2020, Golden Fields Solar III entered into a Construction Administration Agreement with Renewables Construction LLC, or Renewables Construction, a subsidiary of Clearway Renew. Under the terms of the agreement, Renewables Construction provided certain construction administrative services for the Facility. As full compensation for the services provided, Renewables Construction was paid a construction administration fee of \$19.7 million. The service fee was payable on the Tranche B Funding date. The agreement also required Golden Fields Solar III to pay a bonus amount, as defined in the agreement, to Renewables Construction. As of December 31, 2020, \$2.2 million of costs incurred under this agreement were capitalized and reflected in property, plant, and equipment, net on the Company's consolidated balance sheet and \$17.5 million of costs representing a development margin was recorded as a distribution to Clearway Renew.

(d) Limited Liability Company Agreement

The Company is governed by an amended limited liability agreement, or LLCA. The LLCA provides for allocations of income, taxable items and available cash, which are 50.0% to the Class A Member and 50.0% to the Class B Member, except that allocations of available cash are first utilized to pay back member loans, if any. In addition, subsequent to November 20, 2035, up to 80% of the Class A Member's cash may be allocated to the Class B Member under the provisions of a related agreement, which provides a reallocation of cash in order to ensure that the Class B Member achieves its target return on investment. If the Class B Member achieves a return above a specified threshold, certain amounts may be allocated to Clearway Renew, through its ownership of the Class C membership interests.

In accordance with the provision of the LLCA, the Class A Member is the Manager, as defined, and conducts the activities of the Company on behalf of the members. The Manager has engaged Clearway Asset Services LLC to perform certain of its duties as Manager. All management services provided are at the direction of the Manager and the Manager retains its obligations with respect to its duties and responsibilities. In addition, the LLCA establishes both a review committee, which is responsible for material decisions that protect the interests of both the Class A Member and Class B Member, and is comprised of two members appointed by each of the Class A Member and Class B Member, and an operations committee, which is responsible for advising the Company and the

Member, and an operations committee, which is responsible for advising the Company and the review committee with respect to the Company's operations.

(2) Summary of Significant Accounting Policies

(a) Basis of Presentation and Principles of Consolidation

The Company's consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States, or U.S. GAAP. The Accounting Standards Codification, or ASC, established by the Financial Accounting Standards Board, or FASB, is the source of authoritative U.S. GAAP to be applied by nongovernmental entities.

The consolidated financial statements include the Company's accounts and operations and those of its subsidiaries in which the Company has a controlling interest. All significant intercompany transactions and balances have been eliminated in the consolidated financial statements. The usual condition for a controlling financial interest is ownership of a majority of the voting interests of an entity. However, a controlling financial interest may also exist through arrangements that do not involve controlling voting interests. As such, the Company applies the guidance of ASC 810, *Consolidations*, to determine when an entity that is not controlled through its voting interests should be consolidated.

(b) Restricted Cash

The following table provides a reconciliation of cash and restricted cash reported within the consolidated balance sheet that sum to the total of the same such amounts shown in the consolidated statement of cash flows as of December 31, 2020 (in thousands):

		2020
Cash	$	1,069
Restricted cash		23,207
Cash and restricted cash shown in the consolidated statement of cash flows	$	24,276

Restricted cash consists primarily of funds held to satisfy the requirements of the Rosie Class B's debt agreement. These funds are restricted for current debt service payments and payment of construction related costs such as the labor, time, and materials, per the restrictions of the debt agreement.

(c) Accounts Receivable – Trade

Trade accounts receivable are recorded at the invoiced amount and do not bear interest. There was no allowance for doubtful accounts as of December 31, 2020.

(d) Property, Plant, and Equipment

Property, plant, and equipment are stated at cost. Significant additions or improvements extending asset lives are capitalized as incurred, while repairs and maintenance that do not improve or extend the life of the respective asset are charged to expense as incurred. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Certain assets and their related accumulated depreciation amounts are adjusted for asset retirements and disposals with the resulting gain or loss included in cost of operations in the consolidated statement of operations and comprehensive income. See note 4, *Property, Plant, and Equipment,* for additional information.

Interest incurred on funds borrowed to finance capital projects is capitalized until the project under construction is ready for its intended use. The amount of interest capitalized for the year ended December 31, 2020 was $4.2 million, which includes interest related to debt issuance costs of $1.2 million.

(e) Asset Impairments

Long-lived assets that are held and used are reviewed for impairment whenever events or changes in circumstances indicate their carrying values may not be recoverable. Such reviews are performed in accordance with ASC 360, *Property, Plant, and Equipment*. An impairment loss is indicated if the total future estimated undiscounted cash flows expected from an asset are less than its carrying value. An impairment charge is measured by the difference between an asset's carrying amount and fair value with the difference recorded in operating costs and expenses in the consolidated statement of operations and comprehensive income. Fair values are determined by a variety of valuation methods, including third-party appraisals, sales prices of similar assets, and present value techniques. There were no indicators of impairment loss as of December 31, 2020.

(f) Debt Issuance Costs

Debt issuance costs consist of legal fees and closing costs incurred by the Company in obtaining its financing. These costs are capitalized and amortized as interest expense using the effective interest method over the term of the financing obligation and are presented as a direct deduction from the carrying amount of the related debt. During construction, these amounts were included in the calculation of capitalized interest.

Amortization expense, included in interest expense in the consolidated statement of operations and comprehensive income was $207 thousand for the year ended December 31, 2020.

(g) Leases

The Company accounts for its leases under ASC 842 *Leases*, or Topic 842. Topic 842 requires the establishment of a lease liability and related right-of-use, or ROU, asset for all leases with a term longer than 12 months. The Company evaluates each arrangement at inception to determine if it contains a lease.

The Company records its operating lease liabilities at the present value of the lease payments over the lease term at lease commencement date. Lease payments include fixed payment amounts. The Company determines the relevant lease term by evaluating whether renewal and termination options are reasonably certain to be exercised. The Company uses its incremental borrowing rate to calculate the present value of the lease payments, based on information available at the lease commencement date.

All of the Company's leases are operating leases. See note 9, *Leases* for information on the Company's leases.

(h) Income Taxes

For the period November 20, 2020 through December 31, 2020, the Company is classified as a partnership for federal and state income tax purposes. Therefore, federal and state income taxes are assessed at the partner level. Accordingly, no provision has been made for federal or state income taxes in the accompanying consolidated financial statements.

For the period January 1, 2020 through November 19, 2020, the Company was a disregarded entity of a partnership for federal and state income tax purposes. Therefore, federal and state income taxes were assessed at the partner level. Accordingly, no provision has been made for federal or state income taxes in the accompanying consolidated financial statements.

(i) Revenue Recognition

Power Purchase Agreements

Operating revenues consist of revenue from electricity sales obtained through PPAs. The Company sells power at a fixed price as described in note 1(a), *Power Purchase Agreements*. The PPAs are derivative financial instruments that qualify for the normal purchase normal sale exception and as such, the PPAs are accounted for under the revenue recognition guidance in ASC 606, *Revenue from Contracts with Customers,* or Topic 606, and revenue will be recognized when the underlying power is delivered

During 2020, the Company recorded losses under the PPAs of $136 thousand, included in operating revenues in the consolidated statement of operations and comprehensive income, mostly comprised of test energy revenues. For test energy revenues, the Company had to pay the offtakers the difference between a percentage of the contract price as defined in the respective PPAs and the locational marginal price.

Merchant Revenue

During 2020, the Company recorded $866 thousand of estimated merchant revenue for power sold to Tenaska Power Services, a qualified scheduling entity for the PPA offtakers. This merchant revenue is accounted for in accordance with Topic 606, utilizing the invoicing practical expedient, which represents the electricity delivered.

(j) Derivative Financial Instruments

The Company accounts for derivative financial instruments in accordance with ASC 815, *Derivatives and Hedging*, which requires the Company to recognize all derivative instruments on the balance sheet as either assets or liabilities and to measure them at fair value each reporting period unless they qualify for a normal purchase normal sale exception. Changes in the fair value of non-hedge derivatives are immediately recognized in earnings.

The Company uses interest rate swaps to manage its interest rate exposure on long-term debt, which have been designated as cash flow hedges, if certain conditions are met. Changes in the fair value of derivatives accounted for as cash flow hedges are deferred and recorded as a component of accumulated other comprehensive income, or OCI, until the hedged transactions occur and are recognized in earnings.

On an ongoing basis, the Company qualitatively assesses the effectiveness of its derivatives that are designated as cash flow hedges for accounting purposes in order to determine that each derivative continues to be highly effective in offsetting changes in cash flows of hedged items. If necessary, the Company will perform an analysis to measure the statistical correlation between the derivative and the associated hedged item to determine the effectiveness of such an interest rate swap designated as a hedge. The Company will discontinue hedge accounting if it is determined that the hedge is no longer effective. In this case, the gain or loss previously deferred in accumulated OCI would be frozen until the underlying hedged instrument is delivered, unless the transactions being hedged are no longer probable of occurring in which case the amount in OCI would be immediately reclassified into earnings. See note 3, *Accounting for Derivative Instruments and Hedging Activities*, for more information.

(k) Risks and Uncertainties

Financial instruments which potentially subject the Company to concentrations of credit risk consist primarily of accounts receivable – trade and derivative instruments. Accounts receivable are concentrated with a small group of customers. The concentration with these companies may impact the Company's overall exposure to credit risk, either positively or negatively, in that the customers may be similarly affected by changes in the economic, industry, or other conditions. The Company is exposed to credit losses in the event of noncompliance by counterparties on its derivative financial instruments.

Due to the concentration of sales to a small group of customers through PPAs, the Company is exposed to credit risk of potential nonperformance by its customers, which could impact liquidity if a customer was to experience financial difficulties. The maximum amount of loss due to credit risk, should the customers fail to perform, is the amount of the outstanding receivable and any losses associated with replacing these customers.

Risks associated with the Company's operations include the performance of Golden Fields Solar III below expected levels of efficiency and output, shutdowns due to the breakdown or failure of equipment, or catastrophic events such as fires, earthquakes, floods, explosions, pandemics, or other similar occurrences affecting a power generation facility or its energy purchaser.

(l) Fair Value of Financial Instruments

The Company accounts for the fair value of financial instruments in accordance with ASC 820, *Fair Value Measurement*, or ASC 820. The Company does not hold or issue financial instruments for trading purposes.

The carrying amounts of cash, restricted cash, accounts receivable – trade, accounts payable – trade, accounts payable – affiliate, and accrued liabilities approximate fair value because of the short-term maturity of those instruments and are classified as Level 1 within the fair value hierarchy.

Derivative instruments consisting of interest rate swaps are recorded at fair value on the Company's balance sheets on a recurring basis and are classified as Level 2 within the fair value hierarchy as the fair value can be determined based on observable values of underlying interest rates. The fair value of each contract is discounted using a risk free interest rate. In addition, the Company applies a credit reserve to reflect credit risk, which for interest rate swaps is calculated using the bilateral method based on published default probabilities. The credit reserve is added to the discounted fair value to reflect the exit price that a market participant would be willing to receive to assume the Company's liabilities or that a market participant would be willing to pay for the Company's assets. For further discussion of interest rate swaps, see note 3, *Accounting for Derivative Instruments and Hedging Activities*.

The fair value of long-term debt is based on expected future cash flows discounted at current interest rates for similar instruments with equivalent credit quality and is classified as Level 3 within the fair value hierarchy. The estimated carrying amount and fair value of the Company's recorded financial instrument not carried at fair market value as of December 31, 2020 is as follows (in thousands):

	2020	
	Carrying Amount	**Fair Value**
Long-term debt, including current portion [a]	$ 79,762	$ 81,690

[a] Excludes net debt issuance costs, as shown in note 5, *Long-Term Debt*.

ASC 820 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three levels as follows:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company has the ability to access as of the measurement date.
- Level 2 – Inputs other than quoted prices included in Level 1 that are directly observable for the asset or liability or indirectly observable through corroboration with observable market data.
- Level 3 – Unobservable inputs for the asset or liability only used when there is little, if any, market activity for the asset or liability at the measurement date.

In accordance with ASC 820, the Company determines the level in the fair value hierarchy within which each fair value measurement in its entirety falls, based on the lowest level input that is significant to the fair value measurement in its entirety.

(m) Commitments and Contingencies

In the normal course of business, the Company is subject to various claims and litigation. Management of the Company expects that these various litigation items will not have a material adverse effect on the results of operations, cash flows, or financial position of the Company.

(n) Asset Retirement Obligations

The Company accounts for its asset retirement obligations, or AROs, in accordance with ASC 410-20, *Asset Retirement Obligations*, or ASC 410-20. Retirement obligations associated with long-lived assets included within the scope of ASC 410-20 are those for which a legal obligation exists under enacted laws, statutes, and written or oral contracts, including obligations arising under the doctrine of promissory estoppel, and for which the timing and/or method of settlement may be conditional on a future event. ASC 410-20 requires the Company to recognize the fair value of a liability for an ARO in the period in which it is incurred and a reasonable estimate of fair value can be made.

Upon initial recognition of a liability for an ARO, the Company capitalizes the asset retirement cost by increasing the carrying amount of the related long-lived asset by the same amount. Over time, the liability is accreted to its future value, while the capitalized cost is depreciated over the useful life of the related asset. See note 6, *Asset Retirement Obligations*, for further information.

(o) Tax-Equity Arrangements

Rosie Class B's noncontrolling interest in subsidiaries represents the Class A Member's interest in the net assets of Rosie TE HoldCo under a tax-equity arrangement, which is consolidated by Rosie Class B. Rosie Class B has determined that the provisions in the contractual agreements of this structure represents a substantive profit sharing arrangement. Further, Rosie Class B has determined that the appropriate methodology for calculating the noncontrolling interest that reflects the substantive profit sharing arrangements is a balance sheet approach utilizing the hypothetical liquidation at book value, or HLBV, method. Under the HLBV method, the amounts reported as noncontrolling interests represent the amounts the Class A Member would hypothetically receive at each balance sheet date under the liquidation provisions of the contractual agreements, assuming the net assets of the funding structures were liquidated at their recorded amounts determined in accordance with U.S. GAAP. The Class A Member's interests in the results of operations of the funding structure are determined as the difference in noncontrolling interests at the start and end of each reporting period, after taking into account any capital transactions between the structure and its investors. The calculations utilized to apply the HLBV method include estimated calculations of taxable income or losses for each reporting period.

(o) Use of Estimates

The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the consolidated financial statements, and reported amounts of expenses during the reporting period. Actual results may differ from those estimates.

(3) Accounting for Derivative Instruments and Hedging Activities

(a) Interest Rate Swaps

In accordance with the credit agreement described in note 5, *Long-Term Debt*, the Company has a series of fixed for floating interest rate swaps for 95% of the outstanding term loan amount, intended to hedge the risks associated with floating interest rates. The interest rate swap agreements were entered into on February 25, 2020, became effective on December 31, 2020, amortize through July 31, 2044, and have a mandatory early termination date of January 31, 2028. The Company will pay its counterparties quarterly the equivalent of a weighted average rate of 1.446% fixed interest payment on a predetermined notional value, and the Company will receive quarterly the equivalent of a floating interest payment based on three-month LIBOR calculated on the same notional value.

(b) Volumetric Underlying Derivative Transactions

The total notional amount of the forward-starting interest rate swaps was $75.7 million at December 31, 2020. The notional amount of the interest rate swaps will decrease in proportion to the loan.

(c) *Fair Value of Derivative Transactions*

The following table summarizes the Company's derivative liabilities on the consolidated balance sheet as of December 31, 2020 (in thousands):

		2020
Derivatives designated as cash flow hedges:		
Interest rate contracts current	$	798
Interest rate contracts long-term		2,473
Total derivatives	$	3,271

(d) *Accumulated Other Comprehensive Loss*

The following table summarizes the effects on the Company's accumulated OCI balance attributable to interest rate swaps designated as cash flow hedge derivatives (in thousands):

Accumulated OCI balance at December 31, 2019	$	—
Mark-to-market of cash flow hedge accounting contracts		(7,133)
Reclassified from accumulated OCI into income due to realization of previously deferred amounts		3,862
Accumulated OCI balance at December 31, 2020	$	(3,271)

Amounts reclassified from accumulated OCI into income are recorded to interest expense. As of December 31, 2020, $797 thousand of losses are expected to be realized from accumulated OCI during the next 12 months. Actual amounts reclassified into earnings could vary from the amounts currently recorded as a result of future changes in interest rates.

(4) Property, Plant, and Equipment

The Company's major classes of property, plant, and equipment as of December 31, 2020 were as follows (in thousands):

		2020	**Depreciable lives**
Plant equipment	$	258,733	20 - 31 years
Total property, plant, and equipment		258,733	
Less accumulated depreciation		(1,125)	
Net property, plant, and equipment	$	257,608	

(5) Long-Term Debt

On December 30, 2019, Rosie DevCo LLC and Rosie Class B, designated co-borrowers on behalf of Rosamond Central, executed a borrowing arrangement with a consortium of banking institutions, or the Rosamond Central Financing Agreement, for the construction financing of assets. The Rosamond Central Financing Agreement provided for up to $246.5 million in financing and total letters of credit of $23.8 million. The facility consists of a $90.7 million construction loan that converted to a term loan upon completion of construction, $132.1 million investment tax credit, or ITC bridge loan, and a $23.7 million cash equity bridge loan. The loans had an interest rate of one-month LIBOR plus an applicable margin of 1.50% per annum and commitment fees of 0.50% per annum on any unused portion of the financing agreements described above. On November 17, 2020, $4.4 million of the construction loan and $0.9 million of the ITC bridge loan was repaid as part of the recalculation of debt sizing associated with an increase in site lease payments. On November 20, 2020, the cash equity bridge loan outstanding of $21.3 million was repaid from the first tax equity funding. On December 31, 2020, Rosie Class B converted the remaining construction loan to a $79.8 million term loan and repaid the remaining ITC bridge loan of $129.6 million, utilizing proceeds from tax equity funding. The term loan has an interest rate of LIBOR plus an applicable margin of 1.75% per annum, which escalates 0.25% on the fourth anniversary of term conversion. The term loan will mature on December 31, 2027 and is secured by the Company's interests in the Facility. The term loan was assigned to Rosie Class B.

At December 31, 2020, outstanding letters of credit totaled $19.5 million, $13.4 million supporting the PPAs and $6.1 million to support the debt service reserve requirement under the Rosamond Central Financing Agreement. The Company pays on a quarterly basis a letter of credit fee of 1.875% per annum on amounts outstanding on the letter of credit facility, which escalates 0.25% on the fourth anniversary of term conversion. In addition, Clearway Energy Group had issued a construction letter of credit in favor of the administrative agent pursuant to the Rosamond Central Financing Agreement for $35.4 million as of December 31, 2020, which was cancelled on January 4, 2021.

As of December 31, 2020, long-term debt consists of the following (in thousands):

		2020
Total long-term debt (including current maturities)	$	79,762
Less current maturities		(1,625)
Less debt issuance costs, net		(1,787)
Long-term debt	$	76,350

Distributions from the Company are subject to compliance with the terms and conditions defined in the Rosamond Central Financing Agreement, including a covenant to meet a required debt service coverage ratio of 1.20 to 1.0. At December 31, 2020, Rosie Class B is not subject to the requirements to perform the calculation or make distributions.

Long-term debt maturities as of December 31, 2020 are summarized as follows (in thousands):

Year ending December 31:		
2021	$	1,625
2022		1,828
2023		2,608
2024		2,804
2025		2,793
Thereafter		68,104
	$	79,762

(6) Asset Retirement Obligations

The Company's AROs are primarily related to future costs associated with site reclamation, facilities dismantlement, and removal of environmental hazards. The following table represents the balance of the ARO as of December 31, 2020, along with additions related to the Company's ARO for the year ended December 31, 2020 (in thousands):

Balance as of December 31, 2019	$	—
Additions		5,019
Balance as of December 31, 2020	$	5,019

(7) Variable Interest Entities, or VIEs

As described in note 1, *Nature of Business*, the Company's subsidiary, Rosie Class B, is the Class B Member of the Rosie TE HoldCo tax-equity arrangement and under the Rosie TE HoldCo LLCA, Rosie Class B conducts and directs all operating activities of Rosie TE HoldCo and is obligated to obtain and maintain letters of credit, guarantees or other security as required by the terms of any major agreement entered into by Golden Fields Solar III.

The Company, through its ownership of Rosie Class B, consolidates Rosie TE HoldCo, which is a VIE, as it is the primary beneficiary through its role as the Managing Member and it has the ability to direct the activities that most significantly impact the economics of the business. Rosie Class B also has an obligation to absorb losses as well as the right to receive residual returns, through its ownership interests. Accordingly, Rosie Class B continues to consolidate Rosie TE HoldCo subsequent to the sale of Class A membership interests to Morgan Stanley on November 20, 2020. The Company shows the Class A membership interests owned by Morgan Stanley as noncontrolling interests on the Company's consolidated balance sheet.

The summarized financial information for Rosie TE HoldCo as of December 31, 2020 consisted of the following (in thousands):

		2020
Other current and non-current assets	$	39,470
Property, plant, and equipment, net		257,608
Total assets		297,078
Current liabilities		16,644
Non-current liabilities		19,768
Total liabilities		36,412
Net assets	$	260,666

(8) Related Party Transactions

The Company has the following related party transactions and relationships in addition to the Construction Administration Agreement, described in note 1, *Nature of Business* and lease agreement in note 9, *Leases*. Amounts due to Clearway Energy Group subsidiaries are recorded as accounts payable – affiliate and amounts due to the Company from Clearway Energy Group subsidiaries are recorded as accounts receivable – affiliate on the Company's consolidated balance sheet. These account balances are netted by affiliate party.

Rosie TE Holdco has a Project Administration Agreement, or PAA, with Clearway Asset Services LLC, a subsidiary of Clearway Energy Group. The PAA has an initial term of twenty years commencing on February 25, 2020, with provisions for extension until terminated. The PAA provides for the payment of fixed fees that escalate annually, as defined in the agreement, and for the reimbursement of reasonable expenses incurred in connection with its services. For the year ended December 31, 2020, the Company incurred costs of $165 thousand under this agreement. These costs are included in cost of operations in the consolidated statement of operations and comprehensive income.

Golden Fields Solar III has an amended Operations and Maintenance Agreement, or O&M Agreement, with Clearway Renewable Operations & Maintenance LLC, or RENOM, a subsidiary of Clearway Energy Group. The initial term of the agreement is twenty years commencing on February 25, 2020, and will automatically renew for an additional five year period unless terminated by either party as provided for in the O&M Agreement. Golden Fields Solar III is obligated to reimburse RENOM its mobilization fees, commissioning and start-up expenses, direct operating expenses, capital improvement expenses, and corporate overhead expenses on a monthly basis. The O&M Agreement also requires Golden Fields Solar III to pay an annual profit fee, with an annual escalation of 2.00%, to RENOM if certain conditions are met. No costs were incurred under this agreement for the year ended December 31, 2020.

(9) Leases

Golden Fields Solar III was assigned a solar facility ground lease agreement with HA Rosamond LLC, an affiliate of HASI, which grants Golden Fields Solar III nonexclusive easement rights to use the land on which the solar power facilities are located for a period of 35 years commencing June 15, 2017. On November 18, 2020, Golden Fields Solar III entered into a solar facility ground lease agreement with Rosie Land Holdings LLC, a subsidiary of Clearway Renew, which grants Golden Fields Solar III nonexclusive easement rights to use the land on which the solar power facilities are located for a period of 35 years through March 31, 2056. Golden Fields Solar III has the right to extend the terms for two additional five-year periods.

Lease expense for the year ended December 31, 2020 was $160 thousand. These costs are included in cost of operations in the consolidated statement of operations and comprehensive income.

Operating lease information as of December 31, 2020 was as follows (in thousands, except term and rate):

		2020
ROU assets - operating leases, net	$	14,428
Short-term lease liability - operating leases	$	(188)
Long-term lease liability - operating leases		14,749
Total lease liability	$	14,561
Weighted average remaining lease term		35 years
Weighted average discount rate		5.49 %

		Year ended December 31, 2020
Cash paid for operating leases	$	27

Maturities of operating lease liabilities as of December 31, 2020 are as follows (in thousands):

2021	$	618
2022		709
2023		726
2024		744
2025		763
Thereafter		33,567
Total lease payments	$	37,127
Less imputed interest		(22,566)
Total lease liability - operating leases	$	14,561

(10) Subsequent Events

In March 2021, HASI paid an additional $2.5 million as a purchase price adjustment for its Class B interest in the Company which was distributed to Clearway Renew.

The Company has evaluated subsequent events from the balance sheet date through April 29, 2021, the date at which the consolidated financial statements were available to be issued, and determined that there are no other items to disclose.

KPMG

SUNSTRONG CAPITAL HOLDINGS, LLC

Consolidated Financial Statements

December 31, 2022 and 2021, and for each of the years in the three-year period ended December 31, 2022

(With Independent Auditors' Report Thereon)

SUNSTRONG CAPITAL HOLDINGS, LLC

Consolidated Financial Statements

Table of Contents

KPMG LLP
Suite 1400
55 Second Street
San Francisco, CA 94105

Independent Auditors' Report

The Members
SunStrong Capital Holdings, LLC:

Opinion

We have audited the consolidated financial statements of SunStrong Capital Holdings, LLC and its subsidiaries (the Company), which comprise the consolidated balance sheets as of December 31, 2022 and 2021, and the related consolidated statements of comprehensive income (loss), changes in members' equity, and cash flows for each of the years in the three-year period ended December 31, 2022, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2022 and 2021, and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2022, in accordance with U.S. generally accepted accounting principles.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with U.S. generally accepted accounting principles, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for one year after the date that the consolidated financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a

substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

KPMG LLP

San Francisco, California
March 29, 2023

SUNSTRONG CAPITAL HOLDINGS, LLC

Consolidated Balance Sheets

December 31, 2022 and 2021

Assets		**2022**	**2021**
Current assets:			
Cash and cash equivalents	$	36,261,589	37,700,413
Restricted cash, current portion		7,127,163	13,340,108
Operating lease receivables, net		11,470,939	11,294,399
Service contract receivables, net		11,820,207	8,308,564
Finance lease receivables, current portion, net		6,287,783	5,171,712
Other current assets		18,039,501	12,274,439
Total current assets		91,007,182	88,089,635
Restricted cash, net of current portion		75,501,537	91,556,455
Investment in unconsolidated investee		16,285,773	17,029,358
Finance lease receivable, net of current portion, net		447,227,395	463,766,323
Solar power systems, net		1,234,916,662	1,071,325,974
Deferred lease costs and other noncurrent assets		14,190,864	15,700,160
Derivative asset		5,122,169	—
Total assets	$	1,884,251,582	1,747,467,905
Liabilities and Members' Equity			
Current liabilities:			
Accounts payable and accrued liabilities	$	17,718,029	15,753,611
Accounts payable to affiliates, current portion		4,398,341	7,288,763
Deferred revenue, current portion		6,517,972	6,501,134
Derivative liability, current portion		—	452,977
Nonrecourse debt financing, current portion		37,397,881	32,032,481
Total current liabilities		66,032,223	62,028,966
Deferred revenue, net of current portion		53,280,967	49,002,086
Accounts payable to affiliates, net of current portion		85,078,342	125,688,661
Derivative liability, net of current portion		260,264	9,277,194
Nonrecourse debt financing, net of current portion		1,219,937,385	1,130,356,296
Other long-term liabilities		3,347,218	3,510,956
Total liabilities		1,427,936,399	1,379,864,159
Members' equity:			
Equity attributable to members		90,233,029	39,566,444
Accumulated other comprehensive income (loss)		2,320,908	(6,334,261)
Noncontrolling interests		363,761,246	334,371,563
Total members' equity		456,315,183	367,603,746
Total liabilities and members' equity	$	1,884,251,582	1,747,467,905

See accompanying notes to consolidated financial statements.

SUNSTRONG CAPITAL HOLDINGS, LLC

Consolidated Statements of Comprehensive Income (Loss)

Years ended December 31, 2022, 2021 and 2020

		2022	2021	2020
Revenue:				
Interest on finance lease receivables	$	42,993,039	43,264,553	43,556,004
Operating leases		42,572,901	42,869,527	43,284,113
Service contract revenue		45,196,197	33,204,474	20,394,857
Rebates and other		20,000,169	20,148,650	20,170,485
		150,762,306	139,487,204	127,405,459
Cost of revenue:				
Depreciation		42,335,927	34,330,558	26,097,559
Asset management fees		23,433,419	21,563,986	18,781,342
Other		3,038,918	2,993,044	2,000,890
		68,808,264	58,887,588	46,879,791
Gross profit		81,954,042	80,599,616	80,525,668
Operating expenses		14,226,608	8,259,214	15,940,115
Income from operations		67,727,434	72,340,402	64,585,553
Other expenses (income):				
Interest expense		77,583,615	71,814,643	62,713,754
Equity in earnings of unconsolidated investee		(864,534)	(878,147)	—
Loss on termination of financing obligations		—	—	3,115,680
Unrealized (gain) loss on interest rate swaps		(5,876,190)	(2,209,485)	2,445,517
(Gain) loss on lease terminations, net		(403,081)	(2,094,941)	1,808,196
Other expense		434,023	1,130,332	2,638,663
		70,873,833	67,762,402	72,721,810
(Loss) income before income taxes		(3,146,399)	4,578,000	(8,136,257)
Income taxes		—	—	—
Net (loss) income		(3,146,399)	4,578,000	(8,136,257)
Net loss (income) attributable to noncontrolling interests		5,894,314	6,265,351	(6,810,068)
Net income (loss) attributable to members		2,747,915	10,843,351	(14,946,325)
Other comprehensive income (loss) – unrealized gain (loss) on interest rate swaps, net		8,655,169	1,305,799	(4,400,922)
Comprehensive income (loss) attributable to members	$	11,403,084	12,149,150	(19,347,247)

See accompanying notes to consolidated financial statements.

SUNSTRONG CAPITAL HOLDINGS, LLC

Consolidated Statements of Changes in Members' Equity

Years ended December 31, 2022, 2021, and 2020

	SunPower	HA Member	Equity attributable to members	Accumulated other comprehensive income (loss)	Noncontrolling interests	Total
Balances, January 1, 2020	$ 26,464,465	25,241,237	51,705,702	(3,239,138)	276,585,269	325,051,833
Contributions	214,259	138,117	352,376	—	161,067,737	161,420,113
Distributions	(9,038,673)	(21,625,122)	(30,663,795)	—	(125,409,161)	(156,072,956)
Redemption of noncontrolling interests	10,379,791	9,972,741	20,352,532	—	(23,166,420)	(2,813,888)
Net income (loss)	(7,622,625)	(7,323,700)	(14,946,325)	—	6,810,068	(8,136,257)
Other comprehensive loss	—	—	—	(4,400,922)	—	(4,400,922)
Balances, December 31, 2020	20,397,217	6,403,273	26,800,490	(7,640,060)	295,887,493	315,047,923
Contributions	—	—	—	—	225,421,052	225,421,052
Distributions	(434,590)	—	(434,590)	—	(175,502,364)	(175,936,954)
Redemption of noncontrolling interests	1,202,168	1,155,025	2,357,193	—	(5,169,267)	(2,812,074)
Net income (loss)	5,530,109	5,313,242	10,843,351	—	(6,265,351)	4,578,000
Other comprehensive income	—	—	—	1,305,799	—	1,305,799
Balances, December 31, 2021	26,694,904	12,871,540	39,566,444	(6,334,261)	334,371,563	367,603,746
Contributions	585,533	145,026	730,559	—	396,872,913	397,603,472
Distributions	—	—	—	—	(292,829,622)	(292,829,622)
Redemption of noncontrolling interests	24,065,939	23,122,172	47,188,111	—	(68,759,294)	(21,571,183)
Net income (loss)	1,294,169	1,453,746	2,747,915	—	(5,894,314)	(3,146,399)
Other comprehensive income	—	—	—	8,655,169	—	8,655,169
Balances, December 31, 2022	$ 52,640,545	37,592,484	90,233,029	2,320,908	363,761,246	456,315,183

See accompanying notes to consolidated financial statements.

SUNSTRONG CAPITAL HOLDINGS, LLC

Consolidated Statements of Cash Flows

Years ended December 31, 2022, 2021, and 2020

		2022	2021	2020
Cash flows from operating activities:				
Net income (loss)	$	(3,146,399)	4,578,000	(8,136,257)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:				
Depreciation		42,335,927	34,330,558	26,097,559
Equity in earnings of unconsolidated investee		(864,533)	(878,147)	—
Amortization of debt issuance costs		2,543,965	2,491,910	1,939,386
Impairment of solar power systems		—	—	714,683
Loss on termination of financing obligations		—	—	3,115,680
Unrealized (gain) loss on interest rate swaps		(5,876,190)	(2,209,485)	2,445,517
(Gain) loss on lease terminations		(403,081)	(2,094,941)	1,808,196
Changes in operating assets and liabilities:				
Lease receivables		21,337,397	25,062,805	17,202,391
Service contract receivables		(4,055,761)	(2,978,464)	(2,730,169)
Other current assets		(5,949,881)	1,633,329	(3,881,143)
Deferred lease costs and other assets		1,217,975	(1,192)	932,487
Accounts payable and accrued expenses		5,182,715	12,842,259	19,460,938
Deferred lease revenue and other liabilities		4,990,510	2,356,947	13,020,992
Net cash provided by operating activities		57,312,644	75,133,579	71,990,260
Cash flows from investing activities:				
Payments for solar power systems		(248,227,722)	(216,302,094)	(216,968,779)
Acquisition of membership interests in consolidated subsidiaries, net of cash acquired		—	(16,510,339)	—
Refunds of solar systems		12,788,616	—	—
Contributions to unconsolidated investees		—	(17,127,756)	—
Distributions from unconsolidated investees		1,608,120	1,195,458	—
Net cash used in investing activities		(233,830,986)	(248,744,731)	(216,968,779)
Cash flows from financing activities:				
Proceeds from nonrecourse debt financing, net of issuance cost		136,624,069	176,748,051	423,427,106
Repayment of nonrecourse debt financing		(48,978,346)	(46,229,300)	(277,875,742)
Equity contributions		381,529,211	225,421,052	161,420,113
Equity distributions		(294,792,096)	(176,046,075)	(155,635,030)
Redemption of noncontrolling interests		(21,571,183)	(2,812,074)	(2,813,888)
Net cash provided by financing activities		152,811,655	177,081,654	148,522,559
Net (decrease) increase in cash, cash equivalents and restricted cash		(23,706,687)	3,470,502	3,544,040
Cash, cash equivalents and restricted cash at beginning of year		142,596,976	139,126,474	135,582,434
Cash, cash equivalents and restricted cash at end of year	$	118,890,289	142,596,976	139,126,474
Cash paid during the year for:				
Interest	$	66,824,698	58,883,280	51,233,002
Noncash financing and investing activities:				
Equity contributions of safe harbor panels	$	16,074,256	—	—
Equity distributions payable		4,524,036	6,486,510	6,595,631
Changes in solar power systems payable		(10,598,124)	16,691,763	24,889,758
Accrued interest capitalized to the loan principal		4,756,801	7,886,983	11,454,988

See accompanying notes to consolidated financial statements.

(1) The Company

SunStrong Capital Holdings, LLC (the Company) was initially formed on July 10, 2018 and 100% owned by SunPower Corporation (SunPower). At various dates through November 5, 2018, SunPower Capital, LLC (SunPower Capital), a wholly owned subsidiary of SunPower, transferred 100% of its managing member interests in the majority of its residential lease portfolios to wholly owned subsidiaries of the Company. Because these transfers were made between entities under common control, the assets and liabilities transferred were recorded by the Company at the historical carrying amounts of the transferring entity.

On November 5, 2018, SunPower entered into an agreement with HA SunStrong Capital LLC (HA Member), a subsidiary of Hannon Armstrong Sustainable Infrastructure Capital, Inc. (HASI), to acquire, operate, finance, and maintain a portfolio of residential rooftop or ground-mounted solar photovoltaic electric generating systems (Solar Assets). Pursuant to the terms of the Purchase and Sale Agreement (PSA), SunPower sold to HA Member membership units representing a 49% membership interest in the Company.

The Company and its direct and indirect subsidiaries offer a solar lease program, in partnership with third-party financial institutions, which allows its residential customers to obtain SunPower systems under lease agreements for terms of up to 25 years, in the North America residential market. The Company forms or acquires membership interests in various subsidiaries to expand its portfolio of Solar Assets.

Limited liability companies (LLCs) are formed in accordance with the laws of the state in which they are organized. An LLC is generally an unincorporated association of one or more persons and its members have limited personal liability for the obligations or debts of the entity. An LLC can elect to be taxed as a corporation or partnership for federal income tax purposes. The Company has elected to be taxed as a corporation.

(2) Summary of Significant Accounting Policies

(a) Principles of Consolidation

The consolidated financial statements are prepared in accordance with U.S. generally accepted accounting principles (U.S. GAAP) and include the accounts of the Company, its subsidiaries, and its subsidiaries' jointly owned partnerships (Partnerships) in which the Company holds controlling interests, as determined under consolidation accounting guidelines. Intercompany transactions and balances have been eliminated in consolidation.

To ascertain whether the Company is required to consolidate an entity, management determines whether the entity is a variable interest entity (VIE) and if the Company is the primary beneficiary in accordance with the accounting guidance. Factors considered in determining whether the Company is the VIE's primary beneficiary include the decision-making authority of each member, which member manages the day-to-day operations of the entity, and each member's obligation to absorb losses or right to receive benefits from the entity in relation to that of the other members.

The Company is deemed to be the primary beneficiary of a VIE when the Company has the power to direct the activities that most directly impact the economic performance of the VIE and the Company is required to absorb losses or has a right to receive benefits that are significant to the VIE.

(b) Management Estimates

The preparation of the consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Significant estimates in these consolidated financial statements include allowances for doubtful lease and service contract receivables; estimates for future cash flows and economic useful lives of solar power systems and other long-lived assets; and the fair values and residual values of solar power systems. Actual results could materially differ from those estimates.

(c) Contracts with Customers

The Company accounts for homeowner leases entered into on or after January 1, 2019 as contracts with customers pursuant to ASC Topic 606, Revenue from Contracts with Customers. Service contract revenue represents solar services which allow residential customers to obtain continuous access to solar power systems under contracts for terms of up to 25 years. The Company recognizes service contract revenue evenly over the time performance obligations are satisfied over the contract term.

(d) Leasing Activities

(i) Revenue Recognition

Homeowner leases entered into on or before December 31, 2018 continue to be accounted for as operating or sales-type leases under ASC Topic 840, Leases, thus, are classified as either sales-type leases or operating leases in accordance with the relevant accounting guidelines.

For those systems classified as sales-type leases, the net present value of the minimum lease payments, net of executory costs, is recognized as revenue when the lease is placed in service. This net present value as well as the net present value of the residual value of the lease at termination are recorded as finance lease receivables in the consolidated balance sheets. The difference between the initial net amounts and the gross amounts is amortized to revenue over the lease term using the interest method. The residual values of the Company's solar systems are determined at the inception of the lease and are generally based on the estimated fair value of the lease at inception.

For those systems classified as operating leases, rental revenue is recognized, net of executory costs, on a straight-line basis over the term of the lease.

(ii) Deferred Lease Costs

Initial direct costs for sales-type leases are recognized as cost of sales when the solar power systems are placed in service. Initial direct costs for operating leases are capitalized and amortized over the term of the related customer lease agreements.

(iii) Finance Lease Receivables

Finance lease receivables are generated by solar power systems leased to residential customers under sales-type leases. Finance lease receivables represent gross minimum lease payments to be received from customers and the systems' estimated residual value, net of unearned income and an allowance for estimated losses. The Company recognizes an allowance for losses on lease receivables in an amount equal to the probable losses net of recoveries.

(iv) Deferred Revenue

Payments received in advance for executory costs are deferred and amortized to other revenue ratably over the life of the lease.

(e) Rebates

Some residential solar systems qualify for local and state rebates. The Company records a rebate receivable when the qualifying system is placed in service. The benefit for rebates on sales-type leases is recognized as revenue when the system is placed in service. The benefit for rebates on operating leases and service contracts is recognized as deferred revenue and amortized to rebate revenue ratably over the life of the lease.

(f) Solar Power Systems

Solar power systems are stated at cost, less accumulated depreciation and are depreciated to their estimated residual value using the straight-line method over the term of the customer contract or lease of up to 25 years. The residual values of the Company's solar systems are determined at the inception of the contract or lease and are generally based on the estimated fair value of the system at inception.

Construction in process represents systems that are under installation or which have not been interconnected. Systems included in construction in process are not depreciated until systems are placed in service.

(g) Impairment of Long-lived Assets

The Company reviews the recoverability of its long-lived assets whenever events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. The estimated future cash flows are based upon, among other things, assumptions about expected future operating performance, and may differ from actual cash flows. If the estimate of future undiscounted net cash flows is insufficient to recover the carrying value of the assets over the remaining estimated lives, the Company records an impairment loss in the amount by which the carrying value of the assets exceeds the fair value.

(h) Cash and Cash Equivalents

Highly liquid investments with original or remaining maturities of ninety days or less at the date of purchase are considered cash equivalents. At December 31, 2022 and 2021, cash and cash equivalents include balances held at banks. Such cash deposits periodically exceed the Federal Deposit Insurance Corporation insured limit for each account. It is the Company's policy to invest with high credit quality financial institutions.

(i) Restricted Cash

Restricted cash consists of cash reserved in accordance with the terms of the nonrecourse debt financing agreements for interest and principal payments, collection of certain rebates, and the Company's purchase options with respect to the noncontrolling interests.

The following table provides a reconciliation of cash and cash equivalents and restricted cash:

	2022	2021	2020
Cash and cash equivalents	$ 36,261,589	37,700,413	40,504,760
Restricted cash, current portion	7,127,163	13,340,108	16,031,336
Restricted cash, net of current portion	75,501,537	91,556,455	82,590,378
	$ 118,890,289	142,596,976	139,126,474

(j) Equity Method Investments

Investments in entities in which the Company can exercise significant influence but does not own a majority equity interest or otherwise control are accounted for under the equity method. The Company records its share of the operating results of these entities as equity in earnings of unconsolidated investees on the consolidated statements of comprehensive income (loss).

(k) Income Taxes

The Company is a multiple-member limited liability corporation that has elected to be treated as a C-Corporation for federal income tax purposes. Accordingly, the Company is subject to U.S. federal income taxes at regular corporate rates on its net taxable income.

The Company accounts for income taxes under the asset and liability method, which requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been included in the consolidated financial statements. Under this method, deferred tax assets and liabilities are determined on the basis of the differences between the financial statement and tax basis of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to reverse. The effect of a change in tax rates on deferred tax assets and liabilities is recognized in income in the period that includes the enactment date.

Deferred tax assets and liabilities are recognized for temporary differences between financial statement and income tax bases of assets and liabilities. Valuation allowances are provided against deferred tax assets when it is not more likely than not that some portion or all deferred tax assets will be realized.

ASC Topic 740, Income Taxes, establishes consistent thresholds as it relates to accounting for income taxes. It defines the threshold for recognizing the benefits of tax return positions in the financial statements as more likely than not to be sustained by the taxing authority and requires measurement of a tax position meeting the more-likely-than-not criterion, based on the largest benefit that is more than 50% likely to be realized. In accordance with this accounting standard, management has analyzed the Company's inventory of tax positions taken with respect to all applicable income tax issues for all open tax years (in each respective jurisdiction) and has concluded that the Company has no uncertain tax positions.

(l) Fair Value Measurements

Fair value is defined as the amount that would either be received when an asset is sold or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Company uses valuation approaches that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible. The Company determines fair value based on assumptions that market participants would use in pricing an asset or liability in the principal or most advantageous market. U.S. GAAP establishes a three-tier fair value hierarchy based on the inputs used in measuring fair value. These tiers are: Level 1, for which quoted market prices for identical assets and liabilities are available in active markets; Level 2, for which there are inputs other than quoted prices included within Level 1 that are observable for assets and liabilities; and Level 3, for assets and liabilities that do not fall into Level 1 or Level 2 and for which little or no market data exists, therefore requiring the Company to develop its own assumptions.

Derivative instruments (note 7) consist of interest rate swap agreements with various bank counterparties. The valuations of the interest rate swap agreements are determined using a discounted cash flow analysis of the expected cash flows of each agreement. These interest rate swaps are over-the-counter contracts and are classified as Level 2 instruments within the fair value hierarchy.

The fair value of the Company's long-term debt (note 6) is measured based on a discounted cash flow model that estimates the present value of the future loan payments by discounting such payments using market interest rates currently offered for debt with similar maturities and terms. These inputs are classified as Level 2 within the fair value hierarchy.

(m) Noncontrolling Interests

Noncontrolling interests represent the portions of members' equity in consolidated subsidiaries that are not attributable, directly or indirectly, to the Company. The Company has entered into arrangements with third-party investors (Investor Members) under which the Investor Members hold noncontrolling interests in the Partnerships, which are controlled and consolidated by the Company. The net assets of the Partnerships are attributed to the controlling and noncontrolling interests based on the terms of the governing contractual arrangements. The Company uses the hypothetical liquidation at book value (HLBV) method to attribute members' equity to the controlling and noncontrolling interests as this method most closely mirrors the economics of the governing contractual arrangements. Under the HLBV method, the Company allocates recorded income (loss) to each investor based on the change during the reporting period in the amount of members' equity each investor is entitled to under the governing contractual arrangements in a liquidation scenario.

(n) Recent Accounting Pronouncements Not Yet Adopted

In June 2016, the FASB issued ASU 2016-13, Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments (ASU 2016-13) and subsequent amendment to the initial guidance: ASU 2018-19 (collectively, Topic 326). Topic 326 requires measurement and recognition of expected credit losses for financial assets held. The amendment applies to entities which hold financial assets and net investments in leases that are not accounted for at fair value through net income as well as loans, debt securities, accounts receivables, and any other financial assets not excluded from the scope that have the contractual right to receive cash. Topic 326 is effective for nonpublic entities and public business entities that are not SEC filers beginning in 2023, with early adoption permitted. The Company is currently evaluating the impact of the provisions of ASU 2016-13 on the consolidated financial statements and disclosures.

(3) Purchase Accounting

On July 1, 2021, the Company, through its wholly owned subsidiary, 8point3 InvestCo 3 Holdings, LLC, acquired 100% of the memberships interests in SunPower Residential IV LLC, a company that owns a residential lease portfolio, for $8.3 million, net of cash acquired.

On July 2, 2021, the Company, through its wholly owned subsidiary, SunStrong Commercial Holdings, LLC, acquired 100% of the membership interests in certain project companies that own and operate commercial power systems under power purchase agreements (PPAs) with various off takers, for a purchase price of $8.2 million, net of cash acquired.

These acquisitions have been accounted for as business combinations, and the assets acquired and liabilities assumed are based on their estimated fair values at the date of acquisition. The following table presents the fair values of assets and liabilities acquired:

Solar power systems	$	18,370,092
Finance lease receivables		1,325,107
Accounts receivable and other current assets		789,673
Accounts payable and accrued liabilities		(11,741)
Other long-term liabilities		(3,962,792)
	$	16,510,339

(4) Partnerships

Pursuant to the respective operating agreements of the Partnerships, the members have commitments to make capital contributions to the Partnerships, up to specified maximum amounts. The contributions are used by the Partnerships to acquire solar power systems from SunPower Capital.

Managing member entities are wholly owned subsidiaries of the Company that are created for the purpose of managing the activities of the Partnerships and serving as consolidation vehicles for the Company. The managing member entities make capital contributions to the Partnerships on behalf of the Company and record the Company's allocation of the Partnerships' income or loss related to the investor members' noncontrolling interests.

noncontrolling interests.

The Partnerships are set up as flip structures; returns are allocated substantially to the investor member initially, and then "flipped" to the managing member once a specified amount of time has elapsed.

The Company holds options to purchase the noncontrolling interests in the Partnerships from the investor members after a given period of time, typically 5 to 6 years after all solar power systems have been sold into the Partnerships. For some Partnerships, the investor members hold a right to sell their interests to the Company, if the Company does not exercise the purchase option, at a price determined as the lesser of a fixed amount or the fair market value at the time the option is exercised. During the years ended December 31, 2022, 2021 and 2020, as purchase options became exercisable for certain Partnerships, the Company exercised its option to purchase noncontrolling interests with a carrying value of $68.8 million, $5.2 million, and $23.2 million, respectively, for total consideration of $21.6 million, $2.8 million, and $2.8 million, respectively. The difference between the consideration paid by the Company and the carrying amount of the noncontrolling interest was recognized directly in members' equity, which reflects the members' increased ownership in the Partnerships' net assets.

(5) Equity Method Investments

On July 2, 2021, the Company, through its wholly owned subsidiary, SunStrong Commercial Holdings, LLC, acquired 100% of the membership interests in HA Helix LLC for $17.1 million. HA Helix LLC owns 100% of the Class B membership interests in Helix Fund I, LLC, which owns a portfolio of commercial project companies that own and operate commercial power systems under PPAs with various off takers. The Company's ownership interests in Helix Fund I, LLC are accounted for under the equity method.

(6) Financing Arrangements

Nonrecourse third-party debt financing consists of the following as of December 31, 2022 and 2021:

Borrowing entity	Maximum principal amount	Date issued	Maturity date	Interest rate (%)	Debt outstanding 2022	Debt outstanding 2021
Dorado 1 Senior Borrower, LLC [2]	135,000,000	3/31/2022	3/31/2026	4.80	$ 54,057,214	—
Borrowed Sunshine, LLC and Borrowed Sunshine II, LLC	216,216,000	1/13/2020	1/13/2040	4.09	200,364,048	206,298,887
Ultralight 2 Residential Solar, LLC	132,000,000	9/17/2020	9/17/2040	4.25	118,180,402	93,184,668
Ultralight Residential Solar, LLC	113,000,000	6/6/2019	6/6/2039	Based upon lenders' weighted average rates	89,326,570	94,352,567
8Point3 Solar InvestCo 3, LLC [2]	63,525,063	6/26/2018	6/26/2025	LIBOR + Margin (2.25%–2.5%)	41,146,079	44,568,807
SunStrong 2018-1 Issuer, LLC [1,2]	400,000,000	11/28/2018	11/1/2048	5.68	335,252,179	352,627,123
Total nonrecourse debt financing					838,326,492	791,032,052
Unamortized deferred issuance costs					(12,733,451)	(13,177,999)
Nonrecourse debt financing, net					825,593,041	777,854,053

Borrowing entity	Maximum principal amount	Date issued	Maturity date	Interest rate (%)	Debt outstanding 2022	Debt outstanding 2021
Current portion, net of debt issuance costs					$ (31,269,327)	(6,972,762)
Nonrecourse debt financing, net of current portion					$ 794,323,714	770,881,291

[1] SunStrong 2019-1 Issuer, LLC is the sole obligor of the ABS Notes and the ABS Notes are not an obligation of the Company or any of its other subsidiaries.

[2] This debt is also subject to an interest rate swap agreement, see Footnote 7.

Nonrecourse related-party debt financing consists of the following as of December 31, 2022 and 2021:

Borrowing entity	Maximum principal amount	Date issued	Maturity date	Interest rate (%)	Debt outstanding 2022	Debt outstanding 2021
Dorado 1 Mezzanine Borrower, LLC	$ 48,800,000	3/31/2022	03/31/2067	3.50	$ 31,344,366	—
Dorado 1 Mezzanine Borrower, LLC	35,700,000	3/31/2022	10/31/2048	6.50	11,327,184	—
SunStrong Commercial Holdings, LLC	26,004,630	7/2/2021	6/30/2038	6.50	24,101,699	25,063,239
SunStrong Capital Acquisition OF, LLC and SunStrong Capital Acquisition 3, LLC [1,2]	146,714,000	1/13/2020	1/13/2045	11.66	51,021,163	52,255,539
Ultralight 2 Mezzanine Borrower, LLC [1]	59,400,000	9/17/2020	9/17/2065	3.50	67,355,544	59,624,011
Ultralight 2 Mezzanine Borrower, LLC [1,2]	38,000,000	9/17/2020	3/31/2047	11.00	29,008,573	22,022,750
Ultralight Mezzanine Borrower, LLC [1,2]	34,460,000	6/6/2019	6/5/2044	11.50	22,486,813	23,818,078
Ultralight Mezzanine Borrower, LLC [1]	45,000,000	6/6/2019	6/6/2065	3.50	53,353,366	51,624,921
8Point3 Solar InvestCo 3, Holdings LLC [1,2]	39,196,662	6/14/2019 / amended 7/1/2021	12/31/2037 / amended 4/30/2044	9.76	36,575,292	37,255,134
SunStrong Capital Acquisition, LLC [1,2]	110,500,000	8/10/2018	8/10/2043	12.00	31,094,992	32,763,587
SunStrong Capital Acquisitions, LLC [1,2]	80,385,000	11/28/2018	8/10/2043	12.00	81,073,335	86,900,229
Total nonrecourse debt financing					438,742,327	391,327,488
Unamortized deferred issuance costs					(7,000,102)	(6,792,764)
Nonrecourse debt financing, net					431,742,225	384,534,724
Current portion, net of debt issuance costs					(6,128,554)	(25,059,719)
Nonrecourse debt financing, net of current portion					$ 425,613,671	359,475,005

[1] Accrued interest may be capitalized into the loan principal.

[2] Mandatory repayment in the event of excess cash flows as defined in the loan agreement.

As of December 31, 2022, and 2021, the aggregate carrying value and fair value of nonrecourse debt is as follows:

	2022		2021	
	Carrying value	Fair value	Carrying value	Fair value
Total nonrecourse debt	$ 1,277,068,819	1,152,697,689	1,182,359,540	1,169,835,651

As of December 31, 2020, certain subsidiary entities were parties to various loan agreements with multiple lenders. On January 13, 2020, these loans totaling $218.3 million were repaid with the proceeds from new mezzanine and senior debt and the Company recognized a loss on debt extinguishment of $3.1 million.

As of December 31, 2022, future principal payments due under the loans are as follows:

2023	$ 39,966,278
2024	43,100,556
2025	80,997,644
2026	99,794,145
2027	48,396,585
Thereafter	964,813,611
Total	$ 1,277,068,819

(7) Derivative Financial Instruments

The Company recognizes all derivative instruments on the consolidated balance sheets at fair value. Changes in the fair value of derivatives are recorded each period in current earnings if a derivative is not designated as a cash flow hedge, or other comprehensive income (loss) if a derivative is designated as a cash flow hedge.

As of December 31, 2022 and 2021, the Company had non-designated interest rate swap agreements with aggregate notional values of $101.2 million and $66.2 million, respectively, and interest rate swap agreements designated as cash flow hedges with aggregate notional values of $255.2 million and $255.2 million, respectively. These swap agreements allow the Company to effectively convert floating rate payments into fixed rate payments periodically over the life of the agreements. These derivatives have a maturity term of more than 12 months. All changes in the fair value of non-designated interest rate swap agreements are recognized immediately in current period earnings. The effective portion of a cash flow hedge is reclassified into interest expense when hedged transactions are recognized in the consolidated statements of comprehensive income (loss). The fair value of the swaps of $5.1 million and $0.0 million is included in derivative asset as of December 31, 2022 and 2021, respectively. As of December 31, 2022 and 2021, the unrealized amount in accumulated other comprehensive income was a $2.3 million gain and $6.3 million loss, respectively which represents the fair value of the hedge-designated interest rate swap agreement because the Company will not start making or receiving payments on such swap until

(Continued)

February 2029. Thus there were no reclassifications to interest expense in 2022, 2021, and 2020 related to the hedge-designated interest rate swap agreements.

Realized losses related to the non-designated interest rate swap agreements totaling $0.4 million, $1.1 million, and $0.9 million respectively for 2022, 2021, and 2020 were recognized in the respective year's earnings.

The Company analyzes its designated interest rate swaps quarterly to determine if the hedge remains effective. The Company may discontinue hedge accounting prospectively if certain conditions are no longer met, the swap is terminated or exercised, or if the Company elects to remove the cash flow hedge designation.

(8) Sales-Type Leases

As of December 31, 2022 and 2021, the Company's net investment in sales-type leases, presented in finance lease receivables, net on the consolidated balance sheets, consists of the following:

		2022	2021
Gross minimum lease payments receivable	$	722,814,628	785,258,159
Unguaranteed residual value		91,304,272	92,548,109
Unearned income		(351,876,498)	(397,635,975)
Finance lease receivables		462,242,402	480,170,293
Allowance for doubtful accounts		(8,727,224)	(11,232,258)
Finance lease receivables, net		453,515,178	468,938,035
Current portion		(6,287,783)	(5,171,712)
Noncurrent portion	$	447,227,395	463,766,323

As of December 31, 2022, future gross minimum lease payments receivable for sales-type leases are as follows:

2023	$	51,893,640
2024		51,700,751
2025		52,168,669
2026		52,645,417
2027		53,131,188
Thereafter		461,274,963
Total	$	722,814,628

During 2022, 2021 and 2020, the allowance for doubtful accounts decreased by $2.5 million, decreased by

$2.1 million, and increased by $2.1 million, respectively.

(Continued)

(9) Solar Power Systems

Solar power systems consist of the following at December 31, 2022 and 2021:

	2022	2021
Solar power systems leased under operating leases	$ 443,982,708	448,263,055
Solar power systems with related service contracts	808,238,478	613,903,108
Construction in process	185,602,342	170,206,178
Less accumulated depreciation	(202,906,866)	(161,046,367)
	$ 1,234,916,662	1,071,325,974

The following table presents the Company's future minimum rental receipts on operating leases placed in service as of December 31, 2022.

2023	$ 41,660,017
2024	41,407,504
2025	41,523,925
2026	41,642,255
2027	41,762,251
Thereafter	344,752,588
Total	$ 552,748,540

The following table presents the Company's future minimum receipts on solar service contracts as of December 31, 2022.

2023	$ 49,124,986
2024	47,959,537
2025	48,192,950
2026	48,431,294
2027	48,674,743
Thereafter	734,882,597
Total	$ 977,266,107

(Continued)

(10) Deferred Revenue

Deferred revenue consists of the following at December 31, 2022 and 2021:

		2022	2021
Deferred lease and service contract revenue	$	13,731,800	14,692,416
Deferred rebate revenue		45,370,144	40,061,620
Other		696,995	749,184
Total		59,798,939	55,503,220
Current portion		(6,517,972)	(6,501,134)
Noncurrent portion	$	53,280,967	49,002,086

(11) Income Taxes

Income taxes are recognized for the amount of taxes payable or refundable for the current year and deferred tax liabilities and assets are established for the future tax consequences of events that have been recognized in the consolidated financial statements or tax returns. The effects of income taxes are measured based on enacted tax laws and rates.

Based on the Company's current period taxable loss and fully reserved net deferred tax asset position, there is no provision for income taxes included in the statements of comprehensive income (loss) for the years ended December 31, 2022, 2021 and 2020.

The significant components of deferred tax assets and liabilities as of December 31, 2022 and 2021 are as follows:

		2022	2021
Deferred tax assets:			
Net operating loss carryforward	$	142,128,077	139,044,362
Capital leases		—	40,037,410
Property and equipment		—	26,170,868
Interest expense		27,024,337	15,787,477
Investment in partnerships		—	3,819,164
Other		8,678,712	7,869,195
Total deferred tax assets		177,831,126	232,548,476
Valuation allowance		(105,789,097)	(232,548,476)
Total deferred tax assets, net of valuation allowance		72,042,029	—

		2022	2021
Deferred tax liabilities:			
Capital leases	$	(39,875,341)	—
Property and equipment		(25,441,167)	—
Investment in partnership		(6,725,521)	—
Total deferred tax liabilities		(72,042,029)	—
Net deferred taxes	$	—	—

At December 31, 2022, the Company had net operating losses (NOL) totaling $478.2 million, to be carried forward indefinitely to offset future taxable income. The Company does not believe the net operating loss will be limited under Internal Revenue Code (IRC) Section 382 and believes it will also be available for state income tax purposes subject to state carryforward limitations. IRC Section 382 limits the utilization of net operating loss in years subsequent to an owner shift based upon the value of the Company at the date of the owner shift. The Company has not undertaken a detailed study in connection with IRC Section 382 in order to determine if there is any limitation of the utilization of its net operating loss carryforward. The 2017 Tax Cuts and Jobs Act revised the use of net operating loss carryforwards and limits them to 80% of taxable income each year but removed the limitation on years carried forward.

The provision for income taxes reflects the establishment of a full valuation allowance against deferred tax assets as of December 31, 2022 and 2021. Accounting Standards Codification Topic 740 Income Taxes requires management to evaluate its deferred tax assets on a regular basis to reduce them to an amount that is realizable on a more-likely-than-not basis. During the years ended December 31, 2022, 2021 and 2020, the valuation allowance decreased by approximately $126.8 million, $9.3 million, and $5.2 million, respectively, due to continuing operations. In determining the provision for income taxes, net deferred tax assets, liabilities and valuation allowances, management is required to make judgments and estimates related to projections of profitability, the timing and extent of the utilization of net operating loss carryforwards and applicable tax rates. Judgments and estimates related to these projections and assumptions are inherently uncertain; therefore, actual results could differ materially from the projections.

The Company's provision for income taxes in 2022, 2021, and 2020, differs from the expected tax benefit amount computed by applying the statutory federal income tax rate of 21% to income before taxes primarily as a result of net operating losses and the change in the valuation allowance. Accordingly, the Company's effective federal and state income tax rate is 0%.

(12) Members' Equity

On November 5, 2018, SunPower and HASI entered into an Amended and Restated Limited Liability Company Operating Agreement (the Operating Agreement) that resulted in the operation of the Company as a joint venture entity. Under the Operating Agreement, SunPower and HASI are given equal governing rights and all major decisions, including among others, approving or modifying the budget, terminating service providers, incurring indebtedness, refinancing any existing loans, declaring distributions, commencing or settling any claims, require unanimous consent. The Company shall distribute to the

Members all distributable cash, on a quarterly basis, pro rata in proportion to each Member's respective

(Continued)

interest, subject to any restrictions under any applicable financing, hedging, or other agreement (including the Mezzanine Loan Agreements).

Under the Operating Agreement, SunPower is entitled to certain Special Distributions, as defined, related to the proceeds from SREC Capital Contribution Reimbursements, Credit Agricole and Mezzanine Loans.

(13) Related Party Transactions

SunPower has offered the Company certain substantive, nonstandard indemnifications related to cash flow losses arising from a recapture of California property taxes on account of a change in ownership, recapture of federal tax attributes and cash flow losses from leases that do not generate the promised savings to homeowners.

SunPower Capital (the Developer), a wholly owned subsidiary of SunPower Corporation, Systems (SunPower Systems), which is in turn wholly owned by SunPower, enters into solar agreements with residential homeowners to supply and install electricity-generating solar panel systems on the rooftops of their homes and to provide electricity interconnection to generate electricity from the solar panels. The Company, through certain of its subsidiary Partnerships, has elected to purchase a number of these systems (subject to the associated leases or service contracts) from the Developer.

SunPower Capital Services, LLC, (SunPower Services), a wholly owned subsidiary of the Developer, also provides lease servicing to the Company's lease portfolios for a specified fee. Such fees totaled $8.4 million, $7.8 million, and $6.6 million for the years ended December 31, 2022, 2021 and 2020, respectively.

The Partnerships have entered into operation and maintenance agreements with SunPower Systems, under which SunPower Systems provides maintenance services for the lease portfolios for a specified fee. Such fees totaled $13.9 million, $12.9 million, and $11.5 million for the years ended December 31, 2022, 2021, and 2020, respectively. SunPower Systems also provides solar power system performance guarantees under the customer lease contracts.

On November 5, 2018, SunPower Services and the Company entered into a Management Agreement whereby SunPower Services will provide all day-to-day management with respect to the Solar Assets, including but not limited to administrative, collection and other management services, monitoring, operational performance and maintenance of the Solar Assets by the maintenance services provider, administering communications with and providing reporting to Investor Members with respect to their investments in the Solar Assets, and compliance with the respective obligations of the Company's subsidiaries with the related project documents. Such fees totaled $1.2 million, $0.9 million, and $0.7 million for the years ended December 31, 2022, 2021, and 2020, respectively.

Unpaid amounts related to the above transactions are included in accounts payable to affiliates in the accompanying consolidated balance sheets. Lease servicing fees and operations and maintenance services fees are included in asset management fees in the accompanying consolidated statements of comprehensive income (loss).

(14) Commitments and Contingencies

From time to time, the Company may become involved in claims and other legal matters arising from the ordinary course of business. Management is not currently aware of any matters that will have a material effect on the financial position, results of operations, or cash flows of the Company.

(15) Risks and Uncertainties

Certain impacts from the COVID-19 outbreak may have a significant negative impact on the Company's operations. These circumstances may continue for an extended period of time, and may have an adverse impact on economic conditions. The ultimate economic fallout from the pandemic, and the long-term impact on economies, markets, industries and individual companies, are not known. The extent of the impact to the operations of the Company will depend on future developments, which are highly uncertain and cannot be predicted.

(16) Subsequent Events

On February 14, 2023, certain agreements related to Dorado 1 Residential Solar, LLC (the Dorado Fund) were amended to increase the capital committed to the Dorado Fund by $83.7 million (and corresponding guaranty limits), to extend the period during which the Dorado Fund will purchase solar systems to June 30, 2023 as well as the completion date to December 31, 2023, and to expand the solar system requirements of the Dorado Fund. Transaction costs totaling $1.2 million were incurred related to such amendments.

The Company has evaluated subsequent events through March 29, 2023, the date the consolidated financial statements were available to be issued, and determined there were no other items to disclose.

LIGHTHOUSE RENEWABLE HOLDCO 2 LLC AND SUBSIDIARIES

Consolidated Financial Statements

December 31, 2022 and 2021

(With Report of Independent Auditors)

LIGHTHOUSE RENEWABLE HOLDCO 2 LLC AND SUBSIDIARIES

Table of Contents

Building a better
working world

Ernst & Young LLP
One Commerce Square
2005 Market Street, Suite 700
Philadelphia, PA 19103

Tel: +1 215 448 5000
Fax: +1 215 448 4069
ey.com

Report of Independent Auditors

The Members
Lighthouse Renewable Holdco LLC 2

Opinion

We have audited the consolidated financial statements of Lighthouse Renewable Holdco 2 LLC and subsidiaries (the Company), which comprise the consolidated balance sheets as of December 31, 2022 and 2021, and the related consolidated statements of operations, equity and cash flows for the year ended December 31, 2022 and for the period from December 17, 2021 through December 31, 2021, and the related notes (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2022 and 2021, and the results of its operations and its cash flows for the year ended December 31, 2022 and for the period from December 17, 2021 through December 31, 2021 in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free of material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free of material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one

resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Ernst + Young LLP

March 24, 2023

LIGHTHOUSE RENEWABLE HOLDCO 2 LLC AND SUBSIDIARIES

Consolidated Balance Sheets

December 31, 2022 and 2021

(In thousands)

Assets		**2022**		**2021**
Current assets:				
Cash	$	4,981	$	651
Restricted cash		8,138		46,109
Accounts receivable – trade		1,077		637
Inventory		97		—
Prepayments		372		306
Total current assets		14,665		47,703
Property, plant, and equipment, net		358,059		376,986
Other assets:				
Right-of-use assets, net		33,597		45,351
Other non-current assets		1,980		2,133
Total other assets		35,577		47,484
Total assets	$	408,301	$	472,173
Liabilities and Equity				
Current liabilities:				
Accounts payable – trade	$	5,140	$	28,242
Accounts payable – affiliate		460		12,086
Accrued property and other taxes		4,106		4
Derivative instruments		9,236		7,692
Lease liabilities		168		536
Accrued and other current liabilities		975		40
Total current liabilities		20,085		48,600
Other liabilities:				
Derivative instruments		67,421		34,540
Deferred income taxes		1,034		871
Asset retirement obligations		1,022		942
Long-term lease liabilities		34,016		44,967
Tracking account		12,000		313
Total non-current liabilities		115,493		81,633
Total liabilities		135,578		130,233
Commitments and contingencies				
Equity:				
Members' equity		42,675		102,893
Noncontrolling interest		230,048		239,047
Total equity		272,723		341,940
Total liabilities and equity	$	408,301	$	472,173

See accompanying notes to consolidated financial statements.

LIGHTHOUSE RENEWABLE HOLDCO 2 LLC AND SUBSIDIARIES

Consolidated Statements of Operations

(In thousands)

	Year ended December 31, 2022	December 17, through December 31, 2021
Operating revenues:		
Total operating revenues	$ (33,896)	$ 1,220
Operating costs and expenses:		
Cost of operations	14,984	113
Depreciation and accretion	19,522	4
Total operating costs and expenses	34,506	117
Operating (loss) income	(68,402)	1,103
Interest expense	(255)	—
(Loss) income before income taxes	(68,657)	1,103
Income tax expense	163	871
Net (loss) income	(68,820)	232
Less: net loss attributable to noncontrolling interest	(12,940)	(114)
Net (loss) income attributable to Lighthouse Renewable Holdco 2 LLC and subsidiaries	$ (55,880)	$ 346

See accompanying notes to consolidated financial statements.

LIGHTHOUSE RENEWABLE HOLDCO 2 LLC AND SUBSIDIARIES

Consolidated Statements of Equity

(In thousands)

	Lighthouse Renewable Class A LLC Contributed capital	HA Lighthouse LLC Contributed capital	Retained earnings (Accumulated Deficit)	Noncontrolling interest	Total equity
Balance at December 17, 2021	$ —	$ —	$ —	$ —	$ —
Net income (loss)	—	—	346	(114)	232
Acquisition of Mesquite Sky	(120,072)	—	—	620	(119,452)
Cash contributions	113,925	108,694	—	—	222,619
Cash contributions from noncontrolling interest	—	—	—	244,087	244,087
Non-cash distributions	—	—	—	(4,832)	(4,832)
Payment of transaction costs	—	—	—	(714)	(714)
Balance at December 31, 2021	$ (6,147)	$ 108,694	$ 346	$ 239,047	$ 341,940
Net loss	—	—	(55,880)	(12,940)	(68,820)
Acquisition of Apex Clean Energy Holdings' interests	(16,030)	—	—	3,941	(12,089)
Distribution to member of additional consideration paid to Clearway Renew	(10,902)	—	—	—	(10,902)
Cash contributions	8,288	14,703	—	—	22,991
Cash distributions	(397)	—	—	—	(397)
Balance at December 31, 2022	$ (25,188)	$ 123,397	$ (55,534)	$ 230,048	$ 272,723

See accompanying notes to consolidated financial statements.

LIGHTHOUSE RENEWABLE HOLDCO 2 LLC AND SUBSIDIARIES

Consolidated Statements of Cash Flows

(In thousands)

	Year ended December 31, 2022	December 17, through December 31, 2021
Cash flows from operating activities:		
Net (loss) income	$ (68,820)	$ 232
Adjustments to reconcile net (loss) income to net cash provided by operating activities:		
Depreciation and accretion	19,522	4
Reduction in carrying amount of right-of-use assets	599	—
Contract amortization	154	6
Changes in derivative instruments	34,425	(1,199)
Changes in deferred income taxes	163	871
Cash provided (used) by changes in other working capital:		
Accounts receivable – trade	(440)	(412)
Inventory	(97)	—
Prepayments and other non-current assets	(66)	376
Accounts payable – trade	2,037	(563)
Accounts payable – affiliate	(399)	584
Accrued property and other taxes	4,102	—
Accrued and other current liabilities	935	(216)
Tracking account	11,687	313
Operating lease liabilities	(164)	—
Net cash provided (used) by operating activities	3,638	(4)
Cash flows from investing activities:		
Acquisition of Mesquite Sky	—	(61,012)
Capital expenditures	(25,655)	(3,066)
Net cash used by investing activities	(25,655)	(64,078)
Cash flows from financing activities:		
Acquisition of noncontrolling interest	(12,089)	—
Distribution to member of additional consideration paid to Clearway Renew	(22,129)	—
Payment of debt	—	(355,150)
Contributions from members	22,991	222,619
Contributions from noncontrolling interests	—	244,087
Distributions to members	(397)	—
Payment of transaction costs	—	(714)
Net cash (used) provided by financing activities	(11,624)	110,842
Net (decrease) increase in cash and restricted cash	(33,641)	46,760
Cash and restricted cash at beginning of year	46,760	—
Cash and restricted cash at end of year	$ 13,119	$ 46,760
Supplemental disclosure:		
Non-cash investing activity:		
Decrease to right-of-use assets due to lease remeasurements	$ (11,155)	$ —

See accompanying notes to consolidated financial statements.

(1) Nature of Business

Lighthouse Renewable Holdco 2 LLC, or Lighthouse 2, or the Company, a Delaware limited liability company, was formed on November 5, 2021 and is a partnership between Lighthouse Renewable Class A LLC, a subsidiary of Clearway Energy Operating LLC, HA Lighthouse LLC, or HASI, a third-party investor, and Clearway Renew LLC, or Clearway Renew, a direct wholly-owned subsidiary of Clearway Energy Group LLC, or Clearway Energy Group. Clearway Renew's membership interests in Lighthouse 2 are not participating interests and provide for the potential future allocation of cash in the event of excess returns on investment to HASI. On December 17, 2021, through its consolidated subsidiaries (shown in the diagram below), Lighthouse 2 acquired BMP Wind LLC, or BMP Wind, a 340-megawatt (MW) wind powered electricity-generating system comprised of Siemens Gamesa SG 5.0-145 MW turbines, or the Facility, located in Callahan County, Texas. The Facility achieved 100% commercial operations, or COD, on December 1, 2021. See note 3, *Acquisition* for further information about the acquisition.

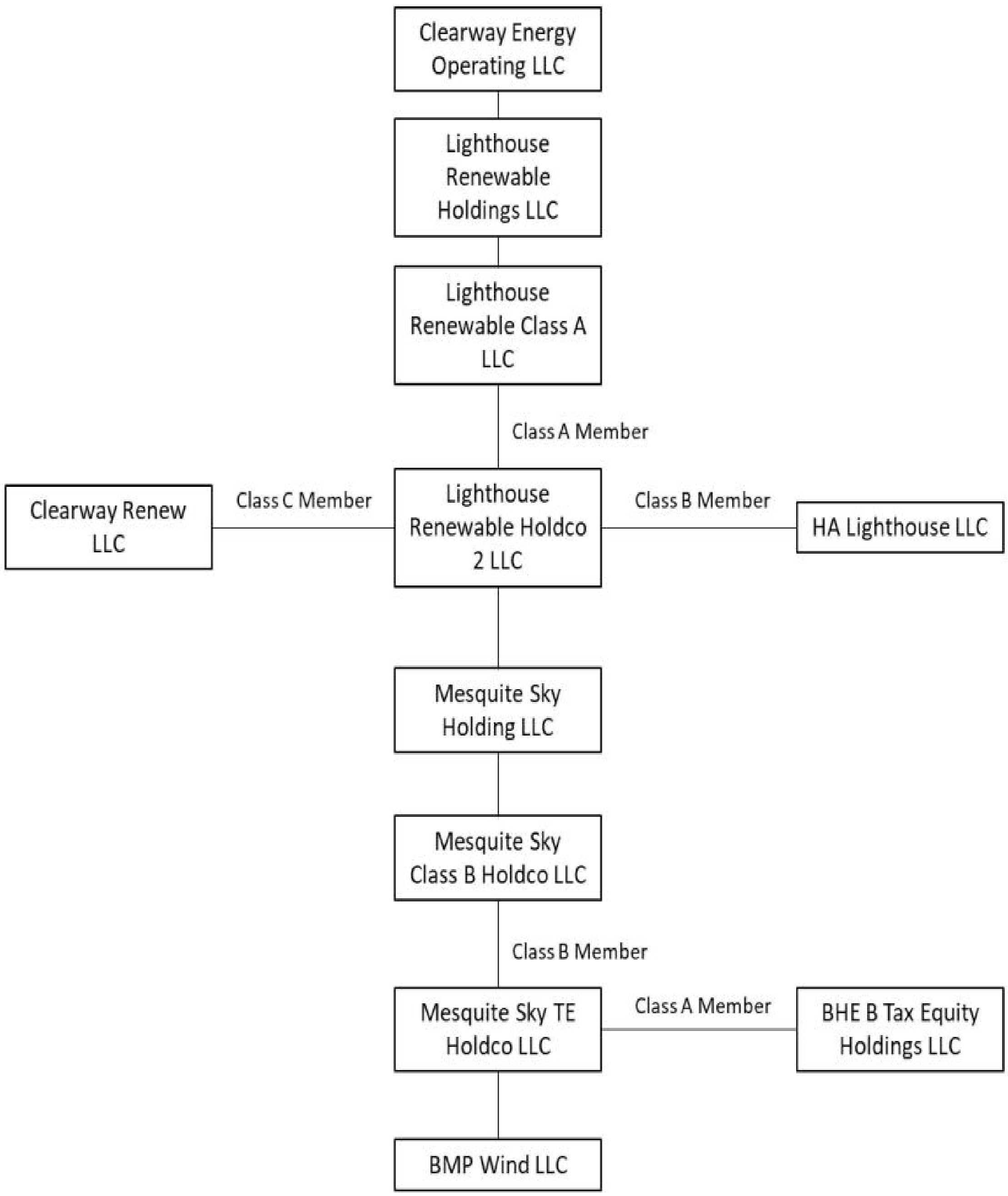
BMP Wind, also referred to as the Mesquite Sky Project, is directly owned by the Company's indirect subsidiary, Mesquite Sky TE Holdco LLC, or Mesquite Sky TE Holdco, a tax equity arrangement between Mesquite Sky Class B Holdco LLC, or Mesquite Sky Class B, and a third party investor, BHE B Tax Equity Holdings LLC, or BHE B Tax Equity Holdings. Concurrent with the acquisition on December 17, 2021, in accordance with the Equity Capital Contribution Agreement, or ECCA, between the members, BHE B Tax Equity Holdings, made its contribution of $240.5 million and acquired the Class A membership interests in Mesquite Sky TE Holdco, whereas Mesquite Sky Class B retained the Class B membership interests. Tax equity proceeds were used for the repayment of debt assumed in the acquisition and transaction expenses. BHE B Tax Equity Holdings and HASI also transferred a combined $5.2 million into escrow as payment for one turbine not yet placed in service, which was subsequently paid to Clearway Renew in January 2022.

On March 18, 2022, the Company acquired 100% of the Class A interests of Mesquite Sky Holding LLC, or Mesquite Sky Holding, owned by Apex Clean Energy Holdings, LLC for $12.1 million. As depicted in the diagram below, Mesquite Sky Holding is a direct subsidiary of Lighthouse 2 and was a partnership between Lighthouse 2 and Apex Clean Energy Holdings, LLC. Effective with the acquisition, the Company owns 100% of Mesquite Sky Holding. The Company also paid $10.9 million to Clearway Renew as an additional purchase price for the acquisition of Mesquite Sky Holding. These payments were funded through contributions from the Company's members comprised of $8.3 million from Lighthouse Renewable Class A LLC and $14.7 million from HASI.

Clearway Energy Operating LLC is a wholly-owned subsidiary of Clearway Energy LLC, which is owned by Clearway Energy, Inc. and Clearway Energy Group. Clearway Energy Group is equally owned by Global Infrastructure Partners III and TotalEnergies SE.

As of December 31, 2022, Clearway Energy, Inc., through its ownership of Class A and Class C common stock, had a 57.88% economic interest in Clearway Energy LLC, while Clearway Energy Group, through its ownership of Class B and Class D common stock, had a 54.91% voting interest in Clearway Energy, Inc. and a 42.12% economic interest in Clearway Energy LLC.

The diagram below represents a summarized structure of the Company as of December 31, 2022:



A summary of the major agreements related to the Company is set forth below:

(a) Limited Liability Company Agreement

The Company is governed by a limited liability agreement, or LLCA, executed on December 17, 2021. The LLCA provides for allocations of income, taxable items and available cash, which are 50.01% to Lighthouse Renewable Class A and 49.99% to HASI, except that allocations of available cash are first utilized to pay back member loans, if any. In addition, subsequent to December 17, 2036, up to 80% of Lighthouse Renewable Class A's cash may be allocated to HASI which provides a reallocation of cash in order to ensure that HASI achieves its target return on investment. If HASI achieves a return above a specified threshold, certain amounts may be allocated to Clearway Renew, through its ownership of the Class C membership interests. In the event that additional working capital is required by the Mesquite Sky Project to cause the assets to be properly operated and maintained and pay for the costs, expenses, obligations and liabilities of the project, and such amounts are not available from its reserves, then Lighthouse Renewable Class A and HASI have the right, but not the obligation, to participate in member loans to advance needed funds.

In accordance with the provision of the LLCA, the Class A Member is the Manager, as defined, and conducts the activities of the Company on behalf of the members. The Manager has engaged Clearway Asset Services LLC to perform certain of its duties as Manager. All management services provided are at the direction of the Manager and the Manager retains its obligations with respect to its duties and responsibilities. See note 8, *Related Party Transactions*, for further detail. In addition, the LLCA establishes both a review committee, which is responsible for material decisions that protect the interests of both the Class A Member and Class B Member, and is comprised of two members appointed by each of the Class A Member and Class B Member, and an operations committee, which is responsible for advising the Company and the review committee with respect to the Company's operations.

(b) ISDA Master Agreement

BMP Wind and a third party are parties to an amended ISDA 2002 Master Agreement, dated as of December 30, 2020, and a Side Agreement, dated October 1, 2021, as amended, collectively the Hedge Agreement. Under the Hedge Agreement, BMP Wind is party to a 12-year agreement to sell power to a counterparty at a fixed price, which will be utilized to manage the risk of fluctuations in market prices on sales of electricity. The commodity contract is accounted for as a derivative instrument as described in note 2(j), *Derivative Financial Instruments.* The Hedge Agreement contains provisions providing the counterparty a lien on specific assets as collateral. Also see note 4, *Accounting for Derivative Instruments and Hedging Activities*, for further information.

On January 14, 2022 and July 27, 2022, BMP Wind executed amendments to the commodity contract under the Hedge Agreement. The amendments permitted the partial net settlement of contracted volumes to be delivered for various settlement intervals from January 16, 2022 through January 31, 2022 and August 1, 2022 through August 31, 2022. The Company paid settlement fees to the counterparty for these amendments, which totaled $3.1 million for the year ended December 31, 2022, and was recorded as a reduction to operating revenues in the consolidated statements of operations. BMP Wind was permitted to utilize the tracking account liability to finance the cost of this settlement and accordingly, recorded the amounts in 2022 as an increase to the tracking account liability and a reduction to operating revenues. See *Tracking Account* below for further detail on the tracking account.

Tracking Account

The commodity contract contains provisions that allow for the Mesquite Sky Project to receive additional money from the counterparty when the price of electricity at the interconnection point of the Facility is less than the price of electricity at the hub where BMP Wind is obligated to sell electricity (adjusted for actual generation delivered versus the quantity purchased at the hub). This mismatch is accumulated in a tracking account, which represents a liability that is due to the counterparty at the conclusion of the contract. Mismatch amounts received by BMP Wind increase the tracking account liability owed by BMP Wind up to the maximum liability of $12.0 million. When the calculated mismatch amount results in BMP Wind making a payment to the hedge counterparty, the amount may reduce the tracking account liability but only until the tracking account balance is paid in full. The balance in the tracking account accrues interest daily at a per annum rate equal to the Federal Funds effective published rate for that day plus an applicable margin of 3.0%. The interest incurred is recorded within interest expense in the consolidated statements of operations. Upon termination of the commodity contract on September 30, 2033, the tracking account balance will be settled between BMP Wind and the counterparty. If the tracking account balance is less than zero, then BMP Wind shall pay the counterparty the absolute value of the tracking account balance. As of December 31, 2022 and 2021, the Company recorded a liability for the tracking account balance of $12.0 million and $313 thousand, respectively. As of December 31, 2022, a subsidiary of Lighthouse Renewable Class A LLC, issued a letter of credit in favor of the hedge counterparty for $11.5 million, which was increased to $12.0 million on January 13, 2023.

(c) Virtual Power Purchase Agreements

BMP Wind is party to the following renewable energy purchase agreements, referred to as virtual power purchase agreements, or VPPAs, which provide for BMP Wind to receive or pay consideration for the delivery of electricity to the interconnection point and to sell the associated renewable energy credits, or RECs, based on the difference between the fixed price per MWh specified in each of the VPPAs and the relevant floating market price for each settlement interval, with upside sharing in the event that the floating market price exceeds the fixed price. Under the terms of the VPPAs, BMP Wind has guaranteed certain availability that if not achieved could result in the payment of shortfall amounts. See note 2(i) *Revenue Recognition,* for information on payment of availability damages.

VPPA offtaker	Effective date	Contract capacity (MW)	COD	VPPA term [(a)]
Deere & Company [(b)]	12/20/2019	48	12/01/2021	12 years
Whirlpool Corporation [(c)]	7/09/2020	57	12/01/2021	15 years
Deere & Company [(b)]	10/26/2020	63	12/01/2021	15 years
		168		

[(a)] VPPA term effective through 12th or 15th anniversary of COD.

[(b)] BMP Wind issued surety bonds in favor of Deere & Company for $11.1 million as of December 31, 2022.

[(c)] A subsidiary of Lighthouse Renewable Class A LLC, on behalf of BMP Wind, issued a letter of credit in favor of Whirlpool Corporation for $5.7 million as of December 31, 2022, which expires on December 17, 2023.

(d) Turbine Supply and Construction Agreements

BMP Wind commenced commercial operations on December 1, 2021 and has the amounts noted below outstanding related to turbine supply and construction agreements. All construction related costs have been capitalized and are reflected in property, plant, and equipment, net on the Company's consolidated balance sheets.

BMP Wind contracted with Blattner Energy, Inc., for the engineering, construction, and commissioning of its Facility for $112.4 million, that was subject to price adjustments as defined in the agreement. Amounts due to Blattner Energy, Inc. under this agreement of $12.1 million recorded as accounts payable – trade as of December 31, 2021 were paid during 2022, in addition to $1.9 million for work completed and paid during 2022. BMP Wind's obligations have been fulfilled under this agreement.

BMP Wind contracted with Siemens Gamesa Renewable Energy Wind, LLC, or Siemens, to supply, deliver, and commission, the wind turbine generators and towers for $220.8 million, that was subject to price adjustments as defined in the agreement. The agreement contains a warranty period which generally covers an approximately two-year period commencing upon the completion of the commissioning of each wind turbine, with provisions for one-year renewal terms. Amounts due to Siemens under this agreement of $15.7 million were recorded as accounts payable – trade as of December 31, 2021, of which $11.5 million was paid during 2022, $1.2 million of change order credits were received from Siemens during 2022, and the remaining $3.0 million due to Siemens is recorded as accounts payable – trade as of December 31, 2022.

(e) Siemens Gamesa Renewable Energy, Inc. Service and Warranty Agreement

BMP Wind contracted with Siemens to provide certain warranty, maintenance, and repair services for the wind turbines. The agreement covers a ten-year period commencing upon the completion of the commissioning of the first wind turbine and may be terminated earlier pursuant to the terms of the agreement. Payment provisions provide for an annual service fee per turbine plus escalation paid in quarterly installments. On July 11, 2022, BMP Wind's service and warranty agreement with Siemens was amended and restated in its entirety to include additional scheduled and unscheduled services and to provide the tools, parts, equipment, and labor necessary to carry out the scheduled and unscheduled services. In addition, the amended and restated agreement provided for an increase in the annual service fee per turbine plus escalation for a selected period, an increase in the availability threshold, and set the term of the agreement to expire on July 11, 2032, unless terminated early as provided for in the agreement. Total costs incurred under this agreement were $2.1 million and $30 thousand for the year ended December 31, 2022 and the period from December 17, 2021 through December 31, 2021, respectively. These costs are included in cost of operations in the consolidated statements of operations. Pursuant to the terms of the agreement with Siemens, the wind turbines are required to meet certain minimum availability thresholds. Failure to achieve minimum availability, as defined in the agreement, could result in payments due from Siemens to the Company.

(f) Tax Abatement Agreement

BMP Wind is party to an amended Tax Abatement Agreement with Callahan County, Texas, or the County, in which BMP Wind is exempted from 100% of the property taxes on 165 MWs of certified appraised eligible property for ten years beginning on January 1, 2022 through December 31, 2031. The remaining MWs are not subject to the abatement and, therefore, subject to the normal property tax rates. As consideration for the abatement, BMP Wind is obligated to make ten annual payments in lieu of taxes to the County of two thousand dollars per MW, with the first payment due on October 1, 2022 and the remaining nine payments due annually thereafter on October 1. In addition, BMP Wind agreed to make improvements to the eligible property as defined in the agreement, which were completed as of COD. The Company paid $330 thousand related to the 2022 abatement period for the the year ended December 31, 2022, which was included in cost of operations in the consolidated statements of operations.

(2) Summary of Significant Accounting Policies

(a) Basis of Presentation and Principles of Consolidation

The Company's consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States, or U.S. GAAP. The Accounting Standards Codification, or ASC, established by the Financial Accounting Standards Board, or FASB, is the source of authoritative U.S. GAAP to be applied by nongovernmental entities.

The consolidated financial statements include the Company's accounts and operations and those of its subsidiaries in which the Company has a controlling financial interest. All significant intercompany transactions and balances have been eliminated in the consolidated financial statements. The usual condition for a controlling financial interest is ownership of a majority of the voting interests of an entity. However, a controlling financial interest may also exist through arrangements that do not involve controlling voting interests. As such, the Company applies the guidance of ASC 810, *Consolidations*, to determine when an entity that is not controlled through its voting interests should be consolidated.

(b) Restricted Cash

The following table provides a reconciliation of cash and restricted cash reported within the consolidated balance sheets that sum to the total of the same such amounts shown in the consolidated statements of cash flows as of December 31, 2022 and 2021 (in thousands):

As of December 31, 2022	BMP Wind	Mesquite Sky TE Holdco	Lighthouse 2	Total
Cash	$ 2,865	$ 2,042	$ 74	$ 4,981
Restricted cash	—	8,138	—	8,138
Cash and restricted cash shown in the consolidated statements of cash flows	$ 2,865	$ 10,180	$ 74	$ 13,119

Restricted cash for 2022 primarily consists of funds held in reserves for performance obligations related to the completion of construction.

As of December 31, 2021	BMP Wind	Mesquite Sky TE Holdco	Lighthouse 2	Total
Cash	$ 476	$ 175	$ —	$ 651
Restricted cash	—	44,511	1,598	46,109
Cash and restricted cash shown in the consolidated statements of cash flows	$ 476	$ 44,686	$ 1,598	$ 46,760

Restricted cash in 2021 primarily consisted of funds held in reserve for performance obligations related to the completion of construction, and includes $3.6 million contributed by BHE B Tax Equity Holdings at Mesquite Sky TE Holdco and $1.6 million contributed by HASI at Lighthouse 2, designated for payment to Clearway Renew for the remaining turbine that became operational in January 2022.

(c) Accounts Receivable – Trade

Trade accounts receivable are recorded at the invoiced amount and do not bear interest. There was no allowance for credit losses as of December 31, 2022 and 2021.

(d) Inventory

Inventory consists of spare parts and is valued at weighted average cost, unless evidence indicates that the weighted average cost will not be recovered with a normal profit in the ordinary course of business. Spare parts inventory is removed when used for repairs, maintenance, or capital projects.

(e) Property, Plant, and Equipment

Property, plant, and equipment are stated at cost; however, impairment adjustments are recorded whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable. Significant additions or improvements extending asset lives are capitalized as incurred, while repairs and maintenance that do not improve or extend the life of the respective asset are charged to expense as incurred. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Certain assets and their related accumulated depreciation amounts are adjusted for asset retirements and disposals with the resulting gain or loss included in cost of operations in the consolidated statements of operations. See note 5, *Property, Plant, and Equipment,* for additional information.

(f) Asset Impairments

Long-lived assets that are held and used are reviewed for impairment whenever events or changes in circumstances indicate their carrying amounts may not be recoverable. Such reviews are performed in accordance with ASC 360, *Property, Plant, and Equipment*. An impairment loss is indicated if the total future estimated undiscounted cash flows expected from an asset are less than its carrying amount. An impairment charge is measured as the excess of an asset's carrying amount over its fair value with the difference recorded in operating costs and expenses in the consolidated statements of operations. Fair values are determined by a variety of valuation methods, including third-party appraisals, sales prices of similar assets, and present value techniques. There were no indicators of impairment loss as of December 31, 2022 and 2021.

(g) Leases

The Company accounts for its leases under ASC 842, *Leases*, or ASC 842. ASC 842 requires the establishment of a lease liability and related right-of-use asset for all leases with a term longer than 12 months. The Company evaluates each arrangement at inception to determine if it contains a lease.

The Company records its operating lease liabilities at the present value of the lease payments over the lease term at lease commencement date. Lease payments include fixed payment amounts, as well as variable rate payments based on an index initially measured at lease commencement date. Variable payments, including payments based on future performance and based on index changes, are recorded when the expense is probable. The Company determines the relevant lease term by evaluating whether renewal and termination options are reasonably certain to be exercised. The Company uses its incremental borrowing rate to calculate the present value of the lease payments, based on information available at the lease commencement date.

All of the Company's leases are operating leases. See note 9, *Leases* for information on the Company's leases.

(h) Income Taxes

The Company is classified as a partnership for federal and state income tax purposes. Therefore, federal and most state income taxes are assessed at the partner level. The state of Texas, however, imposes a franchise tax to which the Company's subsidiary, Mesquite Sky TE Holdco, is subject. For the year ended December 31, 2022 and the period from December 17, 2021 through December 31, 2021, Mesquite Sky TE Holdco had no current franchise tax expense and has calculated deferred tax expense of $163 thousand and $871 thousand, respectively. The Company has determined that, based on a more-likely-than not evaluation of the tax positions taken, there are no material uncertain tax positions to be recognized as of December 31, 2022 and 2021 by the Company.

(i) Revenue Recognition

Virtual Power Purchase Agreements

The Company accounts for energy revenue recognized under the VPPAs (see note 1(c), *Virtual Power Purchase Agreements*) in accordance with ASC 606, *Revenue from Contracts with Customers,* or ASC 606. Revenue from the sale of bundled RECs under the VPPAs is recognized when the related energy is generated and simultaneously delivered to the market, even in cases where there is a certification lag, as it has been deemed to be perfunctory as this is the point in time in which the performance obligation is satisfied and control of the REC is transferred to the customer. In such cases, it is often unnecessary to allocate transaction price to multiple performance obligations. For the year ended December 31, 2022, BMP Wind incurred $1.5 million in availability damages to the offtakers under the VPPAs, which was recorded as a reduction to operating revenues in the consolidated statements of operations.

Merchant Revenue

BMP Wind sells uncontracted electricity into the Electric Reliability Council of Texas, or ERCOT, real-time market. This merchant electric revenue is recognized when the electricity is produced by the Facility and simultaneously delivered to ERCOT.

Renewable Energy Certificates/Credits, or RECs

Effective March 16, 2022, BMP Wind entered into an agreement with a third party for the sale of RECs generated from 2022 through 2026. RECs are sold at a fixed price up to a stated contract quantity as defined in the agreement. Revenue from the sale of the RECs is recognized when the related energy is generated and simultaneously delivered to the market, even in cases where there is a certification lag, as it has been deemed to be perfunctory as this is the point in time in which the performance obligation is satisfied and control of the REC is transferred to the customer. Termination of the agreement may be allowed under specific circumstances, such as under an event of default.

Contract Amortization

Other non-current assets represents the costs to acquire the VPPAs. The costs are amortized as a reduction to operating revenues on a straight-line basis over the terms of the VPPAs, through 2036.

Derivative Revenue

The Company accounts for the commodity contract as a derivative instrument in accordance with ASC 815, *Derivatives and Hedging,* or ASC 815, as described in note 2(j) below. As a result, the Company must mark the contract to fair value each reporting period. The change in fair value of the commodity contract is recorded to operating revenues. Also see note 4, *Accounting for Derivative Instruments and Hedging Activities* for further information on the commodity contract.

Disaggregated Revenues

The following table summarizes the revenue recognized by BMP Wind for the year ended December 31, 2022 and the period from December 17, 2021 through December 31, 2021 (in thousands):

		2022		2021
Energy revenues [a] [b]	$	(658)	$	27
REC revenues		1,364		—
Other revenues		(23)		—
Contract amortization		(154)		(6)
Mark-to-market for derivative instrument [c]		(34,425)		1,199
Total operating revenues	$	(33,896)	$	1,220

[a] As of December 31, 2022, $463 thousand is included in accounts payable - trade related to amounts due to the counterparties of the VPPAs and the qualified scheduling entity.

[b] 2022 includes settlement fees of $3.1 million, as described in note 1, *Nature of Business*.

[c] Represents the (losses) gains from the change in fair value of the derivative instrument in accordance with ASC 815.

Contract Balances

The following table reflects the contract assets in the Company's consolidated balance sheets as of December 31, 2022 and 2021 (in thousands):

		2022		2021
Accounts receivable - contracts with customers	$	274	$	(173)
Accounts receivable - derivative instruments [a]		803		810
Total accounts receivable - trade	$	1,077	$	637

[a] Included in 2021 is $313 thousand for anticipated receipts pursuant to the tracking account. See note 1, *Nature of Business*, for further detail on the tracking account.

(j) ***Derivative Financial Instruments***

The Company accounts for derivative financial instruments in accordance with ASC 815, which requires the Company to recognize all derivative instruments on the balance sheet as either assets or liabilities and to measure them at fair value each reporting period unless they qualify for a normal purchase normal sale exception. The Company is party to a long-term commodity contract which is not designated as a cash flow or fair value hedge. Settlements and changes in the fair value of the commodity contract are recognized in operating revenues. See note 4, *Accounting for Derivative Instruments and Hedging Activities*, for more information.

(k) Risks and Uncertainties

Financial instruments which potentially subject the Company to concentrations of credit risk consist primarily of accounts receivable – trade and derivative instruments. Accounts receivable are concentrated with commercial customers. The concentration of sales to a small group of customers may impact the Company's overall exposure to credit risk, either positively or negatively, in that the customers may be similarly affected by changes in economic, industry, or other conditions. However, the Company believes that the credit risk posed by such concentrations is offset by the creditworthiness of its customer base. The Company is also exposed to credit losses in the event of noncompliance by counterparties to its derivative financial instruments.

Risks associated with the Company's operations include the performance of the Facility below expected levels of efficiency and output, shutdowns due to the breakdown or failure of equipment, which could be further impacted by the inability to obtain replacement parts, or catastrophic events such as extreme weather, fires, earthquakes, floods, explosions, pandemics, or other similar occurrences affecting a power generation facility or its energy purchasers.

(l) Fair Value of Financial Instruments

The Company accounts for the fair value of financial instruments in accordance with ASC 820, *Fair Value Measurement*, or ASC 820. The Company does not hold or issue financial instruments for trading purposes.

ASC 820 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three levels as follows:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company has the ability to access as of the measurement date.
- Level 2 – Inputs other than quoted prices included within Level 1 that are directly observable for the asset or liability or indirectly observable through corroboration with observable market data.
- Level 3 – Unobservable inputs for the asset or liability only used when there is little, if any, market activity for the asset or liability at the measurement date.

In accordance with ASC 820, the Company determines the level in the fair value hierarchy within which each fair value measurement in its entirety falls, based on the lowest level input that is significant to the fair value measurement in its entirety.

For cash, restricted cash, accounts receivable – trade, accounts payable – trade, accounts payable – affiliate, and accrued and other current liabilities, the carrying amounts approximate fair value because of the short-term maturity of those instruments and is classified as Level 1 within the fair value hierarchy.

Derivative instruments are recorded at fair value on the Company's consolidated balance sheets on a recurring basis and are classified as Level 3 within the fair value hierarchy. Management uses quoted observable forward prices, and to the extent that quoted observable forward prices are not available, the quoted prices reflect the average of the forward prices from the prior year, adjusted for inflation. The Company's commodity contracts are executed in illiquid markets. The significant unobservable inputs used in developing fair value include illiquid power tenors and location pricing, which is derived by extrapolating pricing as a basis to liquid locations. The tenor pricing and basis spread are based on observable market data when available or derived from historic prices and forward market prices from similar observable markets when not available. The fair value of each contract is discounted using a risk-free interest rate. In addition, the Company applies a credit reserve to reflect credit risk, which for commodities, to the extent that the Company's net exposure under a specific master agreement is an asset, the Company uses the counterparty's default swap rate. If the net exposure under a specific master agreement is a liability, the Company uses a proxy of its own default swap rate. The credit reserve is added to the discounted fair value to reflect the exit price that a market participant would be willing to receive to assume the Company's liabilities or that a market participant would be willing to pay for the Company's assets. As of December 31, 2022, the non-performance reserve was an $11.7 million gain recorded to total operating revenues in the consolidated statements of operations. For further discussion, see note 4, *Accounting for Derivative Instruments and Hedging Activities.*

(m) Commitments and Contingencies

In the normal course of business, the Company is subject to various claims and litigation. Management of the Company expects that these various litigation items will not have a material adverse effect on the results of operations, cash flows, or financial position of the Company.

(n) Asset Retirement Obligations

The Company accounts for its asset retirement obligations, or AROs, in accordance with ASC 410-20, *Asset Retirement Obligations*, or ASC 410-20. Retirement obligations associated with long-lived assets included within the scope of ASC 410-20 are those for which a legal obligation exists under enacted laws, statutes, and written or oral contracts, including obligations arising under the doctrine of promissory estoppel, and for which the timing and/or method of settlement may be conditional on a future event. ASC 410-20 requires an entity to recognize the fair value of a liability for an ARO in the period in which it is incurred and a reasonable estimate of fair value can be made.

Upon initial recognition of a liability for an ARO, other than when an ARO is assumed in an acquisition of the related long-lived asset, the Company capitalizes the asset retirement cost by increasing the carrying amount of the related long-lived asset by the same amount. Over time, the liability is accreted to its future value, while the capitalized cost is depreciated over the useful life of the related asset. See note 6, *Asset Retirement Obligations*, for further information.

(o) Tax Equity Arrangements

Certain portions of the Company's noncontrolling interests in subsidiaries represent third-party interests in the net assets under certain tax equity arrangements, which are consolidated by the Company. The Company has determined that the provisions in the contractual agreements of these structures represent substantive profit sharing arrangements. Further, the Company has determined that the appropriate methodology for calculating the noncontrolling interest that reflects the substantive profit sharing arrangements is a balance sheet approach utilizing the hypothetical liquidation at book value, or HLBV, method. Under the HLBV method, the amounts reported as noncontrolling interests represent the amounts the tax equity investor would hypothetically receive at each balance sheet date under the liquidation provisions of the contractual agreements, assuming the net assets of the funding structures were liquidated at their recorded amounts determined in accordance with U.S. GAAP. The tax equity investor's interest in the results of operations of the funding structures are determined as the difference in noncontrolling interests at the start and end of each reporting period, after taking into account any capital transactions between the structures and the funds' investors. The calculations utilized to apply the HLBV method include estimated calculations of taxable income or losses for each reporting period.

(p) Comprehensive Income (Loss)

The Company's total comprehensive income (loss) is equal to net income (loss) for the year ended December 31, 2022 and the period from December 17, 2021 through December 31, 2021.

(q) Use of Estimates

The preparation of the consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period, including the fair value of the commodity contract derivative. Actual results may differ from those estimates.

(r) Reclassifications

Certain prior year amounts have been reclassified for comparative purposes.

(3) Acquisition

On December 17, 2021, the Company acquired the Class B membership interests in Mesquite Sky Holding from Clearway Renew. The Company's members each contributed their portion of the purchase price, for their respective interest in Mesquite Sky Holding. Clearway Energy Operating LLC paid cash consideration of $61.1 million and HASI paid cash consideration of $108.7 million, $107.1 million of which was paid on December 17, 2021 and an additional $1.6 million paid into an escrow account for the turbine not yet placed in service. The Class A membership interests in Mesquite Sky Holding were acquired by Apex Clean Energy Holdings, LLC in 2020 and subsequently acquired by the Company on March 18, 2022, as described in note 1, *Nature of Business*. Mesquite Sky Holding, through its wholly-owned subsidiary, Mesquite Sky Class B, is the primary beneficiary and consolidates its interests in the tax equity fund, Mesquite Sky TE Holdco, that holds the Mesquite Sky Project. The acquisition was determined to be an asset acquisition and the Company consolidates Mesquite Sky Holding on a prospective basis in its financial statements. The assets and liabilities transferred to the Company relate to interests under common control by Clearway Energy Group and were recorded at historical cost in accordance with ASC 805-50, *Business Combinations - Related Issues*. The difference between the cash paid and the historical cost of the Company's net liabilities assumed of $8.3 million was recorded as an adjustment to contributed capital on the Company's consolidated statements of equity. In addition, the Company reflected additional contributions paid by Clearway Renew and the portion of the Company's purchase price utilized to repay long-term debt, totaling $52.3 million, as cash contributions in the consolidated statements of equity, and as an impact of the acquisition of Mesquite Sky in members' equity.

The following is a summary of assets and liabilities transferred in connection with the acquisition as of December 17, 2021 (in thousands):

		2021
Assets:		
Current assets [a]	$	45,739
Property, plant, and equipment, net		376,864
Right-of-use assets		45,351
Other non-current assets		7,093
Total assets acquired		475,047
Liabilities:		
Long-term debt [b]		355,150
Long-term lease liabilities		44,967
Derivative liabilities		43,431
Other current and non-current liabilities		39,796
Total liabilities assumed [c]		483,344
Noncontrolling interests		620
Net liabilities assumed less noncontrolling interests	$	(8,917)

[a] Includes $43.9 million reserved for project completion costs included in restricted cash on the Company's consolidated balance sheet at acquisition date, which is included within the $52.3 million described above.

[b] Repaid at acquisition date utilizing $240.5 million contributed by BHE B Tax Equity Holdings, recorded as contributions in noncontrolling interest, $107.1 million contributed by HASI, reflected in contributed capital, as well as the Company's $61.1 million acquisition price. Of the $408.7 million contributed, $355.1 million was utilized to pay down the acquired debt and $0.9 million was utilized to pay associated fees. In addition, $53.1 million was distributed to Clearway Renew. The net of the Company's $61.1 million acquisition price and the distribution to Clearway Renew of $53.1 million are included within the $52.3 million contributed by Clearway Renew described above.

[c] Total liabilities assumed excludes amounts due to Clearway Renew as of December 31, 2021 of $6.1 million, of which $5.2 million was received from BHE B Tax Equity Holdings and HASI and was held in escrow accounts as of December 31, 2021.

(4) Accounting for Derivative Instruments and Hedging Activities

(a) Commodity Contract

Effective November 27, 2019, BMP Wind executed a 12-year agreement to sell power to a counterparty at a fixed price, that started on October 1, 2021. The commodity contract is intended to economically hedge the Company's forecasted output through September 30, 2033. The total notional amount of the commodity contract was 4,325,903 MWh as of December 31, 2022 and 4,765,814 MWh as of December 31, 2021.

(b) *Fair Value of Derivative Transactions*

The following table summarizes the Company's derivative liabilities on the consolidated balance sheets as of December 31, 2022 and 2021 (in thousands):

		2022		2021
Derivatives not designated as cash flow hedges:				
Commodity contracts current	$	9,236	$	7,692
Commodity contracts long-term		67,421		34,540
Total derivative liabilities	$	76,657	$	42,232

(c) *Derivative Fair Value Measurements*

The following table reconciles the beginning and ending balance of the commodity contract that is recognized at fair value on the Company's consolidated balance sheets using significant unobservable inputs (Level 3) for the year ended December 31, 2022 and the period from December 17, 2021 through December 31, 2021 (in thousands):

		2022		2021
Beginning balance	$	(42,232)	$	(43,431)
Settlements		17,004		—
Total (losses) gains for the period included in earnings		(51,429)		1,199
Ending balance	$	(76,657)	$	(42,232)
Change in unrealized losses included in operating revenues for derivatives held as of December 31,	$	(51,429)	$	1,199

The following tables quantify the significant unobservable inputs used in developing the fair value of the Company's Level 3 commodity contract as of December 31, 2022 and 2021:

December 31, 2022

Fair Value					Input/Range		
Assets (in thousands)	Liabilities (in thousands)	Valuation technique	Significant unobservable input		Low	High	Weighted average
$ —	$ (76,657)	Discounted cash flow	Forward market price (per MWh)	$	21.25	$ 68.66	$ 35.63

December 31, 2021

Fair Value					Input/Range		
Assets (in thousands)	Liabilities (in thousands)	Valuation technique	Significant unobservable input		Low	High	Weighted average
$ —	$ (42,232)	Discounted cash flow	Forward market price (per MWh)	$	13.93	$ 52.17	$ 21.68

(5) Property, Plant, and Equipment

The Company's major classes of property, plant, and equipment as of December 31, 2022 and 2021 were as follows (in thousands):

		2022		2021	Depreciable lives
Plant equipment	$	358,378	$	357,863	10 - 35 years
Buildings		2,941		2,941	30 years
Land improvements		16,189		16,189	20 - 25 years
Total property, plant, and equipment		377,508		376,993	
Less accumulated depreciation		(19,449)		(7)	
Net property, plant, and equipment	$	358,059	$	376,986	

(6) Asset Retirement Obligations

The Company's AROs are primarily related to future costs associated with site reclamation, facilities dismantlement, and removal of environmental hazards. The following table represents the balance of the AROs, along with the related activity for the year ended December 31, 2022 (in thousands):

Balance as of December 31, 2021	$	942
Accretion expense		80
Balance as of December 31, 2022	$	1,022

(7) Variable Interest Entities, or VIEs

The Company has a controlling financial interest in Mesquite Sky TE Holdco, a tax equity arrangement entered into with a third party, which has been identified as a VIE under ASC 810, *Consolidations.* This arrangement is related to a tax equity arrangement with a third party in order to monetize certain tax credits associated with the wind facility and is further described below.

The Company, through its ownership of Mesquite Sky Class B Holdco, consolidates Mesquite Sky TE Holdco, as it is the primary beneficiary through its role as the managing member of the tax equity arrangement, and has the ability to direct the activities that most significantly impact the economics of the business. Mesquite Sky Class B Holdco also has an obligation to absorb losses as well as the right to receive residual returns, through its ownership interests. The membership interests owned by the tax equity investor, BHE B Tax Equity Holdings, are included in noncontrolling interests on the Company's consolidated balance sheets and the HLBV method is utilized to allocate income or losses of Mesquite Sky TE Holdco.

Summarized financial information for Mesquite Sky TE Holdco as of December 31, 2022 and 2021 consisted of the following (in thousands):

	2022	2021
Other current and non-current assets	$ 49,569	$ 93,589
Property, plant, and equipment, net	358,059	376,986
Total assets	407,628	470,575
Current liabilities	19,162	46,993
Non-current liabilities	115,494	81,633
Total liabilities	134,656	128,626
Net assets	$ 272,972	$ 341,949

Mesquite Sky TE Holdco is governed by an Amended and Restated Operating Agreement, or LLCA, executed on December 17, 2021, between Mesquite Sky Class B and BHE B Tax Equity Holdings. The LLCA provides the terms of each member's income or loss allocations, cash contributions and distributions, and other rights. Capital accounts are maintained on a basis consistent with Treasury Regulations Sections 1.704-1(b)(2)(iv).

In the event that additional working capital is required by BMP Wind to cause the assets to be properly operated and maintained and pay for the costs, expenses, obligations and liabilities of the project, and such amounts are not available from its reserves, then Mesquite Sky Class B Holdco has the right (but not the obligation) to provide all or part of funds needed in the form of an additional capital contribution and/or a permitted working capital loan. If Mesquite Sky Class B Holdco elects to not provide the additional working capital needed, BHE B Tax Equity Holdings has the right, but not the obligation, to advance funds in the form of a member loan. All working capital loans are unsecured and subject to a limit of $5.0 million outstanding at any time. As of December 31, 2022 and 2021, no loans have been issued.

Deferred contributions are required by the BHE B Tax Equity Holdings on the last day of March following each calendar year for a maximum of ten years, at specified levels of production according to terms in the LLCA, not to exceed an aggregate amount of $69.3 million. No deferred contributions have been made for the year ended December 31, 2022 and the period from December 17, 2021 through December 31, 2021.

Clearway Energy Operating LLC has provided a guaranty of both payment and performance obligations of Mesquite Sky Class B Holdco under the LLCA and ECCA. This guaranty is capped at $335.7 million and shall not exceed BHE B Tax Equity Holdings' capital contributions plus a target IRR, reduced by cash distributions made and certain tax benefits allocated to BHE B Tax Equity Holdings, as defined in the guaranty agreement.

Mesquite Sky Class B Holdco shall have an exclusive option to purchase all, but not less than all, of the Class A units owned by BHE B Tax Equity Holdings no sooner than December 17, 2026, subject to the terms and conditions set forth in the LLCA.

(8) Related Party Transactions

The Company has the following related party transactions and relationships. Amounts due to Clearway Energy Group subsidiaries are recorded as accounts payable – affiliate and amounts due to the Company from Clearway Energy Group subsidiaries are recorded as accounts receivable – affiliate on the Company's consolidated balance sheets. These account balances are netted by affiliate party.

Management Services Agreement

Lighthouse 2 entered into a Management Services Agreement for asset management and administration services with Clearway Asset Services LLC, a subsidiary of Clearway Energy Group. The agreement has an initial term of ten years commencing on December 17, 2021 with provisions for extension until terminated. The agreement provides for the payment of fixed fees that escalate annually, as defined in the agreement, and for the reimbursement of reasonable expenses incurred in connection with its services. For the year ended December 31, 2022, BMP Wind incurred costs of approximately $114 thousand under this agreement. These costs are included in cost of operations in the consolidated statements of operations. No costs were incurred under this agreement for the period from December 17, 2021 through December 31, 2021.

Construction Management Agreement

BMP Wind entered into a Construction Management Agreement with Renewables Construction LLC, or Renewables Construction, a subsidiary of Clearway Renew. Under the terms of the contract, Renewables Construction provided certain construction management and administrative services for the Facility. As full compensation for the services provided, Renewables Construction was entitled to payment of a service fee totaling $3.0 million. The service fee was payable in monthly installments commencing December 31, 2020 and ending on January 31, 2022. Total fees incurred under this agreement for the year ended December 31, 2022 and the period from December 17, 2021 through December 31, 2021 were $241 thousand and $93 thousand, respectively, all of which were capitalized and reflected in property, plant, and equipment, net on the Company's consolidated balance sheets. BMP Wind's obligations have been fulfilled under this agreement.

Operation & Maintenance Agreement

BMP Wind has an Operation and Maintenance Agreement, or O&M Agreement, with Clearway Renewable Operation & Maintenance LLC, or RENOM, a subsidiary of Clearway Energy Group, which provides operation and maintenance services for the balance of plant not covered by the maintenance and service agreement with Siemens. The agreement has an initial term commencing on December 30, 2020 through the tenth anniversary of December 17, 2021 with provisions for extension until terminated. The contract allows for reimbursement of mobilization expenses, commissioning and start-up expenses, and direct operating and capital improvement expenses, including a five percent markup, on a monthly basis. Additionally, there is an annual profit fee of $5 thousand per turbine, subject to performance factors and annual escalation. For the year ended December 31, 2022, BMP Wind incurred costs of approximately $1.6 million under this agreement. These costs are included in cost of operations in the consolidated statements of operations. No costs were incurred under this agreement for the period from December 17, 2021 through December 31, 2021.

Project Administrative Agreement

Mesquite Sky TE Holdco and BMP Wind jointly entered into a Project Administration Agreement for asset management and administration services with Clearway Asset Services LLC, a subsidiary of Clearway Energy Group. The agreement has an initial term of ten years commencing on December 30, 2020 with provisions for extension until terminated. The agreement provides for the payment of fixed fees that escalate annually, as defined in the agreement, and for the reimbursement of reasonable expenses incurred in connection with its services. For the year ended December 31, 2022 and the period from December 17, 2021 through December 31, 2021, BMP Wind incurred costs of approximately \$324 thousand and \$12 thousand, respectively, under this agreement. These costs are included in cost of operations in the consolidated statements of operations.

(9) Leases

BMP Wind has entered into various lease and easement agreements which grant BMP Wind nonexclusive rights to use the land on which the 68 turbines, substation, operations building, access roads, and other related equipment are located. The Company is obligated to pay royalty payments based on a percentage of gross operating revenues ranging from 4.0% to 7.0% over the term of the agreements, which commenced upon COD of the Facility. Lease costs are included in cost of operations in the consolidated statements of operations. During 2022, BMP Wind changed the incremental borrowing rate and remeasured its operating lease liabilities and right-of-use assets, which resulted in a decrease to each balance of \$11.2 million.

Lease expense for the year ended December 31, 2022 and the period from December 17, 2021 through December 31, 2021 was comprised of the following (in thousands):

	2022	2021
Operating lease cost - Fixed	$ 1,797	$ 69
Operating lease cost - Variable	343	—
Total lease cost	$ 2,140	$ 69

Operating lease information as of December 31, 2022 and 2021 was as follows (in thousands, except term and rate):

	2022	2021
Right-of-use assets - operating leases, net	$ 33,597	$ 45,351
Short-term lease liability - operating leases	$ 168	$ 536
Long-term lease liability - operating leases	34,016	44,967
Total lease liabilities	$ 34,184	$ 45,503
Weighted average remaining lease term	34 years	35 years
Weighted average discount rate	3.50 %	1.86 %

	Year ended December 31, 2022	December 17 through December 31, 2021
Cash paid for operating leases	$ 1,360	$ —

Minimum future rental payments of operating lease liabilities as of December 31, 2022 are as follows (in thousands):

2023	$ 1,360
2024	1,360
2025	1,360
2026	1,360
2027	1,530
Thereafter	54,570
Total lease payments	61,540
Less imputed interest	(27,356)
Total lease liability - operating leases	$ 34,184

(10) Subsequent Events

The Company has evaluated subsequent events from the balance sheet date through March 24, 2023, the date at which the consolidated financial statements were available to be issued, and determined that there are no other items to disclose.