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, 2024

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

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

Delaware	**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. ☒

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements. ☐

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to §240.10D-1(b). ☐

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, 2024, the aggregate market value of the registrant's common stock (includes unvested restricted stock) held by non-affiliates of the registrant was $ 3.4 billion based on the closing sales price of the registrant's common stock on June 30, 2024 as reported on the New York Stock Exchange.

On March 26, 2025, the registrant had a total of 121,126,479 shares of common stock, $0.01 par value, outstanding (which includes 521,457 shares of unvested restricted common stock).

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's proxy statement for the 2025 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

HA 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, 2024, originally filed with the Securities and Exchange Commission (“SEC”) on February 14, 2025 (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 Daggett Renewable Holdco 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 years ended December 31, 2024 and December 31, 2023, and that Lighthouse Renewable Holdco 2 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. Since the financial statements as of and for the year ended December 31, 2024, 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, 2024. Therefore, this Form 10-K/A amends Item 15 of our Original Form 10-K, to include the following Exhibits:

- Exhibit 23.2 -- Consent of PricewaterhouseCoopers LLP for the consolidated financial statements of Daggett Renewable Holdco LLC
- Exhibit 23.3 -- Consent of PricewaterhouseCoopers LLP for the consolidated financial statements of Lighthouse Renewable Holdco 2 LLC
- Exhibit 23.4 -- Consent of Ernst & Young LLP for the consolidated financial statements of Daggett Renewable Holdco LLC
- Exhibit 23.5 -- Consent of Ernst & Young LLP for the consolidated financial statements of Lighthouse Renewable Holdco 2 LLC
- Exhibit 99.1 -- Consolidated financial statements as of December 31, 2024 and 2023 and the periods then ended of Daggett Renewable Holdco LLC
- Exhibit 99.2 -- Consolidated financial statements as of December 31, 2024 and 2023 and for the years ended December 31, 2024, 2023 and 2022 of Lighthouse Renewable Holdco 2 LLC and its subsidiaries
- Exhibit 99.3 -- Consolidated financial statements as of December 31, 2023 and the period then ended of Daggett Renewable Holdco LLC
- Exhibit 99.4 -- Consolidated financial statements as of December 31, 2023 and 2022 and for the years ended December 31, 2023, 2022 and 2021 of Lighthouse Renewable Holdco 2 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	Certificate of Incorporation of the Company, filed with the Secretary of Delaware on July 1, 2024 and effective, July 2, 2024 (incorporated by reference to Exhibit 3.1 on the Registrant's Form 8-K (No. 001-35877) filed on July 3, 2024)
3.2	Bylaws of the Company effective July 2, 2024 (incorporated by reference to Exhibit 3.2 on the Registrant's Form 8-K (No. 001-35877) filed on July 3, 2024)
4.1	Specimen Common Stock Certificate of the Company (incorporated by reference to Exhibit 99.3 on the Registrant's Form 8-K (No. 001-35877) filed on July 3, 2024)
4.2	Description of the Company's Securities Registered Pursuant to Section 12 of the Securities Exchange Act of 1934 (incorporated by reference to Exhibit 99.2 on the Registrant's Form 8-K (No. 001-35877) filed on July 3, 2024)
4.3	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)
4.4	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)
4.5	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)
4.6	First Supplemental Indenture, dated as of April 13, 2022 by and among HAT Holdings I LLC and HAT Holdings II LLC, as issuers, and the Company, 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)
4.7	Indenture, dated as of August 11, 2023 by and among HAT Holdings I LLC and HAT Holdings II LLC, as issuers, and the Company, 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 3.750% Green Exchangeable Senior Unsecured Note due 2028) (incorporated by reference to Exhibit 4.1 to the Registrant's Form 8-K (No. 001-35877), filed on August 11, 2023)
4.8	Indenture, dated as of December 7, 2023 by and among HAT Holdings I LLC and HAT Holdings II LLC, as issuers, the guarantors party thereto and U.S. Bank Trust Company, National Association, as trustee (including the form of HAT Holdings I LLC and HAT Holdings II LLC's 8.00% Green Senior Unsecured Note due 2027) (incorporated by reference to Exhibit 4.1 to the Registrant's Form 8-K (No. 001-35877), filed on December 7, 2023)
4.9	Indenture, dated as of July 1, 2024 by and among Hannon Armstrong Sustainable Infrastructure Capital, Inc., as issuer, the guarantors party thereto and U.S. Bank Trust Company, National Association, as trustee (including the form of Hannon Armstrong Sustainable Infrastructure Capital, Inc.'s 6.375% Green Senior Unsecured Note due 2034) (incorporated by reference to Exhibit 4.1 to the Registrant's Form 8-K (No. 001-35877), filed on July 1, 2024)
10.1	Second Amended and Restated Agreement of Limited Partnership of Hannon Armstrong Sustainable Infrastructure, L.P. (incorporated by reference to Exhibit 10.1 to the Registrant's Form 10-K for the year ended December 31, 2024 (No. 001-35877), filed on February 16, 2024)
10.2	Form of Indemnification Agreement (incorporated by reference to Exhibit 10.2 to the Registrant's Form 10-K for the year ended December 31, 2024 (No. 001-35877), filed on February 14, 2025)
10.3	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)
10.4	2022 HA 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)
10.5	Restricted Stock Award Agreement dated April 23, 2013 between the Company 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)

10.6	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)
10.7	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)
10.8	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)
10.9	Form of Amended and Restated Restricted Stock Unit Agreement (incorporated by reference to Exhibit 10.57 to the Registrant's Form 10-K for the year ended December 31, 2017 (No. 001-35877) filed on February 23, 2018)
10.10	Form of LTIP Unit Vesting Agreement (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)
10.11	Form of 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)
10.12	Form of 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)
10.13	Form of 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, 2024 (No. 001-35877), filed on May 8, 2024)
10.14	Employment Agreement, dated April 17, 2013, by and between the Company 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)
10.15	Amended and Restated Employment Agreement, dated February 11, 2025, by and between the Company and Nathaniel J. Rose (incorporated by reference to Exhibit 10.15 to the Registrant's Form 10-K for the year ended December 31, 2024 (No. 001-35877), filed on February 14, 2025)
10.16	Amended and Restated Employment Agreement, dated February 11, 2025, by and between the Company and Charles Melko (incorporated by reference to Exhibit 10.16 to the Registrant's Form 10-K for the year ended December 31, 2024 (No. 001-35877), filed on February 14, 2025)
10.17	Letter Agreement, dated as of January 6, 2021, between J. Brendan Herron, the Company 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)
10.18	Employment Agreement, dated June 30, 2021, by and between the Company 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)
10.19	Amended and Restated Employment Agreement, dated February 14, 2023, by and between the Company and Jeffrey Lipson (incorporated by reference to Exhibit 10.31 to the Registrant’s Form 10-K for the year ended December 31, 2022 (No. 001-35877), filed on February 21, 2023)
10.20	Amended and Restated Employment Agreement, dated February 11, 2025, by and between the Company and Marc Pangburn (incorporated by reference to Exhibit 10.2 to the Registrant's Form 10-K for the year ended December 31, 2024 (No. 001-35877), filed on February 14, 2025)
10.21	Amended and Restated Employment Agreement, dated January 26, 2024, by and between the Company and Richard R. Santoroski (incorporated by reference to Exhibit 10.21 on the Registrant’s Form 10-K for the year ended December 31, 2023 (No. 001-35877), filed on February 16, 2024).
10.22	Amended and Restated Employment Agreement, dated February 15, 2024, by and between the Company and Jeffrey Eckel (incorporated by reference to Exhibit 10.22 on the Registrant’s Form 10-K for the year ended December 31, 2023 (No. 001-35877), filed on February 16, 2024)
10.23	Employment Agreement, Dated April 15, 2024, by and between the Company and Viral Amin (incorporated by reference to Exhibit 10.5 on the Registrant’s Form 10-Q for the quarter ended March 31, 2024 (No. 001-35877) filed on May 8, 2024).
10.24	Letter Agreement, dated April 4, 2024, between Hannon Armstrong Sustainable Infrastructure Capital, Inc., Hannon Armstrong Capital LLC, and Richard R. Santoroski (incorporated by reference to Exhibit 10.6 on the Registrant’s Form 10-Q (No. 001-35877) filed on May 8, 2024).
10.25	Registration Rights Agreement, dated April 23, 2013, by and among the Company 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)

10.26	Registration Rights Agreement, dated as of April 13, 2022, by and among HAT Holdings I LLC, HAT Holdings II LLC, and the Company 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)
10.27	Registration Rights Agreement, dated as of August 11, 2023, by and among HAT Holdings I LLC, HAT Holdings II LLC, and the Company and the representatives of the Initial Purchasers party thereto (incorporated by reference to Exhibit 10.1 to the Registrant's Form 8-K (No. 001-35877), filed on August 11, 2023)
10.28	Registration Rights Agreement, dated as of July 1, 2024, by and among the Company and the representatives of the initial purchasers party thereto (incorporated by reference to Exhibit 10.1 on the Registrant's Form 8-K (No. 001-35877), filed on July 1, 2024)
10.29	Registration Rights Agreement, dated as of December 12, 2024, by and among the Company and the representatives of the initial purchasers party thereto (incorporated by reference to Exhibit 4.1 on the Registrant's Form 8-K (No. 001-35877), filed on December 12, 2024)
10.30	Indemnity Agreement, dated as of September 30, 2015, by the Company 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)
10.31	Credit Agreement, dated as of April 12, 2024, by and among the Company, certain subsidiaries of the Company, JPMorgan Chase Bank, N.A. as administrative agent, sole bookrunner and sustainability structuring agent, JPMorgan, Citibank, N.A., Credit Agricole Corporate and Investment Bank, Keybank National Association, M&T Bank, Mizuho Bank, Ltd., Morgan Stanley Senior Funding, Inc., Royal Bank of Canada, Sumitomo Mitsui Banking Corporation and Truist Securities, Inc. as joint lead arrangers, Bank of America, N.A., Barclays Bank PLC and Goldman Sachs Bank USA as documentation agents, and each lender from time to time party thereto (incorporated by reference to Exhibit 1.1 to the Company's Form 8-K (No.001-35877), filed on April 17, 2024).
10.32	Amendment No. 1 to Credit Agreement, dated as of September 10, 2024, by and among the Company, certain subsidiaries of the Company, JPMorgan Chase Bank, N.A. as administrative agent, sole bookrunner, sustainability structuring agent and lender, Citibank, N.A., Credit Agricole Corporate and Investment Bank, Keybank National Association, M&T Bank, Mizuho Bank, Ltd., Morgan Stanley Senior Funding, Inc., Royal Bank of Canada, Sumitomo Mitsui Banking Corporation and Truist Securities, Inc. as joint lead arrangers and lenders, and Bank of America, N.A., Barclays Bank PLC and Goldman Sachs Bank USA as documentation agents and lenders (incorporated by reference to Exhibit 1.2 to the Company's Form 8-K (No.001-35877), filed on September 13, 2024).
10.33	Amendment No. 2 to Credit Agreement, dated as of October 31, 2024, by and among the Company, certain subsidiaries of the Company, JPMorgan Chase Bank, N.A. as administrative agent and Coöperatieve Rabobank U.A., New York Branch as lender (incorporated by reference to Exhibit 1.3 to the Company's Form 8-K (No.001-35877), filed on November 1, 2024).
10.34	Form of Commercial Paper Dealer Agreement between the Company, as issuer, and the applicable Dealer party thereto (incorporated by reference to Exhibit 10.1 to the Registrant's Form 8-K (No. 001-35877), filed on December 6, 2024.
10.35	At Market Issuance Sales Agreement, dated May 13, 2020, by and between the Company, 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)
10.36	Amendment No. 1 to the At Market Issuance Sales Agreement, dated February 26, 2021, by and among the Company, 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)
10.37	Amendment No. 2 to the At Market Issuance Sales Agreement, dated March 1, 2022, by and among the Company, 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)
10.38	Amendment No. 3 to the At Market Issuance Sales Agreement, dated February 22, 2023, by and among the Company, B. Riley Securities, Inc., Barclays Capital Inc., BofA Securities, Inc., Credit Suisse Securities (USA) LLC, Goldman Sachs & Co. LLC, J.P. Morgan Securities LLC, Morgan Stanley & Co. LLC, Nomura Securities International, Inc., SMBC Nikko Securities America, Inc., Truist Securities, Inc. and Wells Fargo Securities, LLC (incorporated by reference to Exhibit 1.4 to the Registrant's Form 8-K (No. 001-35877), filed on February 23, 2023)

10.39	Amendment No. 4 to the At Market Issuance Sales Agreement, dated May 10, 2023, by and among the Company, B. Riley Securities, Inc., Barclays Capital Inc., BofA Securities, Inc., Credit Suisse Securities (USA) LLC, Goldman Sachs & Co. LLC, KeyBanc Capital Markets Inc., Jefferies LLC, J.P. Morgan Securities LLC, Morgan Stanley & Co. LLC, Nomura Securities International, Inc., Truist Securities, Inc. and Wells Fargo Securities, LLC (incorporated by reference to Exhibit 1.5 to the Registrant's Form 8-K (No. 001-35877), filed on May 11, 2023)
10.40	Amendment No. 5 to the At Market Issuance Sales Agreement, dated September 5, 2023, by and among the Company, B. Riley Securities, Inc., Barclays Capital Inc., BofA Securities, Inc., Credit Suisse Securities (USA) LLC, Goldman Sachs & Co. LLC, KeyBanc Capital Markets Inc., Jefferies LLC, J.P. Morgan Securities LLC, Morgan Stanley & Co. LLC, Nomura Securities International, Inc., Truist Securities, Inc. and Wells Fargo Securities, LLC (incorporated by reference to Exhibit 1.6 to the Registrant's Form 8-K (No. 001-35877), filed on September 5, 2023)
19.1	Insider Trading Policies and Procedures of the Company (incorporated by reference to Exhibit 19.1 to the Registrant's Form 10-K for the year ended December 31, 2024 (No. 001-35877) filed on February 14, 2025)
21.1	List of subsidiaries of HA Sustainable Infrastructure Capital, Inc. (incorporated by reference to Exhibit 21.1 to the Registrant's Form 10-K for the year ended December 31, 2024 (No. 001-35877) filed on February 14, 2025)
23.1	Consent of Ernst & Young LLP for HA Sustainable Infrastructure Capital, Inc. (incorporated by reference to Exhibit 23.1 to the Registrant's Form 10-K for the year ended December 31, 2024 (No. 001-35877) filed on February 14, 2025)
23.2*	Consent of PricewaterhouseCoopers LLP for Daggett Renewable HoldCo LLC
23.3*	Consent of PricewaterhouseCoopers LLP for Lighthouse Renewable HoldCo 2 LLC
23.4*	Consent of Ernst & Young LLP for Daggett Renewable HoldCo LLC
23.5*	Consent of Ernst & Young LLP for Lighthouse Renewable HoldCo 2 LLC
24.1	Power of Attorney (incorporated by reference to Exhibit 24.1 to the Registrant's Form 10-K for the year ended December 31, 2024 (No. 001-35877), filed on February 14, 2025)
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
97.1	Recovery Policy Relating to Erroneously Awarded Incentive Compensation of the Company (incorporated by reference to Exhibit 97.1 to the Registrant's Form 10-K for the period ended December 31, 2023 (No. 001-35877) filed on February 16, 2024)
99.1*	Consolidated financial statements as of December 31, 2024 and 2023 and the period then ended of Daggett Renewable HoldCo LLC
99.2*	Consolidated financial statements as of December 31, 2024 and 2023 and for the years ended December 31, 2024, 2023 and 2022 of Lighthouse Renewable HoldCo 2 LLC and its subsidiaries
99.3*	Consolidated financial statements as of December 31, 2023 and the period then ended of Daggett Renewable HoldCo LLC
99.4*	Consolidated financial statements as of December 31, 2023 and 2022 and for the years ended December 31, 2023, 2022 and 2021 of Lighthouse Renewable HoldCo 2 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 for the period ended December 31, 2024 (No. 001-35877), filed on February 14, 2025)
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase (incorporated by reference to Exhibit 101.CAL to the Registrant's Form 10-K for the period ended December 31, 2024 (No. 001-35877), filed on February 14, 2025)
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase (incorporated by reference to Exhibit 101.DEF to the Registrant's Form 10-K for the period ended December 31, 2024 (No. 001-35877), filed on February 14, 2025)
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase (incorporated by reference to Exhibit 101.LAB to the Registrant's Form 10-K for the period ended December 31, 2024 (No. 001-35877), filed on February 14, 2025)
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.

HA SUSTAINABLE
INFRASTRUCTURE CAPITAL, INC.
(Registrant)

Date: March 28, 2025

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

/s/ Charles W. Melko
Charles W. Melko
Chief Financial Officer, Treasurer and Executive Vice President

/s/ Michelle E. Whicher
Michelle E. Whicher
Chief Accounting Officer and Senior Vice President

Exhibit 23.2

CONSENT OF INDEPENDENT AUDITORS

We hereby consent to the incorporation by reference in the Registration Statements on Form S-3 (Nos. 333-198158, 333-265594, 333-269145, 333-275969, and 333-285461) and Form S-8 (Nos. 333-188070, 333-212913, 333-230548, and 333-265595) of HA Sustainable Infrastructure Capital, Inc. of our report dated March 21, 2025 related to the financial statements of Daggett Renewable Holdco LLC, which appears in this Form 10-K/A of HA Sustainable Infrastructure Capital, Inc.

/s/ PricewaterhouseCoopers LLP
Baltimore, Maryland
March 28, 2025

Exhibit 23.3

CONSENT OF INDEPENDENT AUDITORS

We hereby consent to the incorporation by reference in the Registration Statements on Form S-3 (Nos. 333-198158, 333-265594, 333-269145, 333-275969, and 333-285461) and Form S-8 (Nos. 333-188070, 333-212913, 333-230548, and 333-265595) of HA Sustainable Infrastructure Capital, Inc. of our report dated March 27, 2025 related to the financial statements of Lighthouse Renewable Holdco 2 LLC, which appears in this Form 10-K/A of HA Sustainable Infrastructure Capital, Inc.

/s/ PricewaterhouseCoopers LLP
Baltimore, Maryland
March 28, 2025

Exhibit 23.4

Consent of Independent Auditors

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

(1) Registration Statement (Form S-8 No. 333-188070) pertaining to the 2013 HA Sustainable Infrastructure Capital, Inc. Equity Incentive Plan,
(2) Registration Statement (Form S-3 No. 333-198158) of HA Sustainable Infrastructure Capital, Inc.,
(3) Registration Statement (Form S-8 No. 333-212913) pertaining to the 2013 HA Sustainable Infrastructure Capital, Inc. Equity Incentive Plan,
(4) Registration Statement (Form S-8 No. 333-230548) pertaining to the 2013 HA Sustainable Infrastructure Capital, Inc. Equity Incentive Plan,
(5) Registration Statement (Form S-3ASR No. 333-265594) of HA Sustainable Infrastructure Capital, Inc.,
(6) Registration Statement (Form S-8 No. 333-265595) pertaining to the 2022 HA Sustainable Infrastructure Capital, Inc. Equity Incentive Plan,
(7) Registration Statement (Form S-3ASR No. 333-269145) of HA Sustainable Infrastructure Capital, Inc.
(8) Registration Statement (Form S-3ASR No. 333-275969) of HA Sustainable Infrastructure Capital, Inc., and
(9) Registration Statement (Form S-3ASR No. 333-285461) of HA Sustainable Infrastructure Capital, Inc.

of our report dated March 28, 2024, with respect to the consolidated financial statements of Daggett Renewable Holdco LLC and subsidiaries included in this Annual Report (Form 10-K/A) of HA Sustainable Infrastructure Capital, Inc. for the year ended December 31, 2024.

/s/ Ernst & Young LLP

Philadelphia, Pennsylvania
March 28, 2025

Exhibit 23.5

Consent of Independent Auditors

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

(1) Registration Statement (Form S-8 No. 333-188070) pertaining to the 2013 HA Sustainable Infrastructure Capital, Inc. Equity Incentive Plan,
(2) Registration Statement (Form S-3 No. 333-198158) of HA Sustainable Infrastructure Capital, Inc.,
(3) Registration Statement (Form S-8 No. 333-212913) pertaining to the 2013 HA Sustainable Infrastructure Capital, Inc. Equity Incentive Plan,
(4) Registration Statement (Form S-8 No. 333-230548) pertaining to the 2013 HA Sustainable Infrastructure Capital, Inc. Equity Incentive Plan,
(5) Registration Statement (Form S-3ASR No. 333-265594) of HA Sustainable Infrastructure Capital, Inc.,
(6) Registration Statement (Form S-8 No. 333-265595) pertaining to the 2022 HA Sustainable Infrastructure Capital, Inc. Equity Incentive Plan,
(7) Registration Statement (Form S-3ASR No. 333-269145) of HA Sustainable Infrastructure Capital, Inc.,
(8) Registration Statement (Form S-3ASR No. 333-275969) of HA Sustainable Infrastructure Capital, Inc., and
(9) Registration Statement (Form S-3ASR No. 333-285461) of HA Sustainable Infrastructure Capital, Inc.

of our report dated March 28, 2024, 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 HA Sustainable Infrastructure Capital, Inc. for the year ended December 31, 2024.

/s/ Ernst & Young LLP

Philadelphia, Pennsylvania
March 28, 2025

EXHIBIT 31.1
CERTIFICATIONS

I, Jeffrey A. Lipson, certify that:

1. I have reviewed this Annual Report on Form 10-K/A of HA 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 28, 2025

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

EXHIBIT 31.2
CERTIFICATIONS

I, Charles W. Melko, certify that:

1. I have reviewed this Annual Report on Form 10-K/A of HA 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 28, 2025

By: /s/ Charles W. Melko
Name: Charles W. Melko
Title: Chief Financial Officer, Treasurer 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 HA Sustainable Infrastructure Capital, Inc. (the “Company”) for the period ended December 31, 2024 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 28, 2025

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 HA Sustainable Infrastructure Capital, Inc. (the “Company”) for the period ended December 31, 2024 to be filed with the Securities and Exchange Commission on or about the date hereof (the “report”), I, Charles W. Melko, Chief Financial Officer, Treasurer 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 28, 2025

By:	/s/ Charles W. Melko
Name:	Charles W. Melko
Title:	Chief Financial Officer, Treasurer and Executive Vice President

DAGGETT RENEWABLE HOLDCO LLC AND SUBSIDIARIES

Consolidated Financial Statements

December 31, 2024 and 2023

(With Report of Independent Auditors)

DAGGETT RENEWABLE HOLDCO LLC AND SUBSIDIARIES

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Report of Independent Auditors

To the Members of Daggett Renewable Holdco LLC

Opinion

We have audited the accompanying consolidated financial statements of Daggett Renewable Holdco LLC and its subsidiaries (the "Company"), which comprise the consolidated balance sheet as of December 31, 2024, and the related consolidated statements of operations, of equity and of cash flows for the year then ended, including the related notes (collectively referred to as 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, 2024, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (US 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 audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Other Matter

The consolidated financial statements of the Company as of December 31, 2023, and for the period from February 17, 2023 through December 31, 2023, were audited by other auditors whose report, dated March 28, 2024, expressed an unmodified opinion on those statements.

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 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 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 the consolidated financial statements are available to be issued.

PricewaterhouseCoopers LLP, 100 East Pratt Street, Baltimore, Maryland 21202
T: (410) 783 7600, www.pwc.com/us

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 US 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 US 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.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Baltimore, Maryland
March 21, 2025

DAGGETT RENEWABLE HOLDCO LLC AND SUBSIDIARIES

Consolidated Balance Sheets

December 31, 2024 and 2023

(In thousands)

Assets		2024		2023
Current assets:				
Cash	$	18,189	$	3,641
Restricted cash		11,884		18,675
Accounts receivable – trade		4,693		5,837
Accounts receivable – affiliate		—		42
Inventory		364		—
Derivative instruments		6,568		5,047
Prepayments and other current assets		3,582		1,848
Total current assets		45,280		35,090
Property, plant, and equipment, net		946,482		587,625
Other assets:				
Intangible assets, net		307		—
Right-of-use assets, net		51,994		30,661
Derivative instruments		53,899		23,060
Other non-current assets		506		142
Total other assets		106,706		53,863
Total assets	$	1,098,468	$	676,578
Liabilities and Equity				
Current liabilities:				
Current maturities of long-term debt	$	1,656	$	396
Accounts payable – trade		5,175		9,400
Accounts payable – affiliate		651		440
Accrued and other current liabilities		184		90
Lease liabilities		(231)		(298)
Total current liabilities		7,435		10,028
Other liabilities:				
Long-term debt		365,925		214,198
Asset retirement obligations		17,743		4,267
Long-term lease liabilities		56,781		33,525
Total other liabilities		440,449		251,990
Total liabilities		447,884		262,018
Commitments and contingencies				
Equity:				—
Members' equity		382,375		272,280
Noncontrolling interest		268,209		142,280
Total equity		650,584		414,560
Total liabilities and equity	$	1,098,468	$	676,578

See accompanying notes to consolidated financial statements.

DAGGETT RENEWABLE HOLDCO LLC AND SUBSIDIARIES

Consolidated Statements of Operations

(In thousands)

	Year ended December 31, 2024	February17, through December 31, 2023
Operating revenues:		
Total operating revenues	$ 64,956	$ 13,205
Operating costs and expenses:		
Cost of operations	19,089	4,067
Depreciation, amortization and accretion	47,188	6,310
Total operating costs and expenses	66,277	10,377
Operating (loss) income	(1,321)	2,828
Other income (expense):		
Interest income	1,400	2,198
Loss on debt extinguishment	—	(2,667)
Interest expense	(2,201)	(4,532)
Total other expense	(801)	(5,001)
Net loss	(2,122)	(2,173)
Less: net loss attributable to noncontrolling interest	(6,876)	(159,457)
Net income attributable to Daggett Renewable Holdco LLC and subsidiaries	$ 4,754	$ 157,284

See accompanying notes to consolidated financial statements.

DAGGETT RENEWABLE HOLDCO LLC AND SUBSIDIARIES

Consolidated Statements of Equity

(In thousands)

	Daggett Solar Investment LLC Contributed deficit	HA Lighthouse LLC Contributed capital	Retained earnings	Noncontrolling interest	Total equity
Balance at February 17, 2023	$ —	$ —	$ —	$ —	$ —
Net income (loss)	—	—	157,284	(159,457)	(2,173)
Acquisition of Daggett Solar Power 3 LLC	14,219	—	—	—	14,219
Cash contributions	149,895	129,378	—	314,890	594,163
Cash distributions	(178,186)	—	—	—	(178,186)
Non-cash distributions	(310)	—	—	—	(310)
Payment of transaction costs	—	—	—	(13,153)	(13,153)
Balance at December 31, 2023	$ (14,382)	$ 129,378	$ 157,284	$ 142,280	$ 414,560
Net income (loss)	—	—	4,754	(6,876)	(2,122)
Daggett 2 net assets transferred from affiliate	23,951	106,038	—	147,184	277,173
Contribution (distribution) of purchase price adjustments	5,863	(5,863)	—	—	—
Cash distributions	(16,512)	(8,136)	—	(13,994)	(38,642)
Payment of transaction costs	—	—	—	(385)	(385)
Balance at December 31, 2024	$ (1,080)	$ 221,417	$ 162,038	$ 268,209	$ 650,584

See accompanying notes to consolidated financial statements.

DAGGETT RENEWABLE HOLDCO LLC AND SUBSIDIARIES

Consolidated Statements of Cash Flows

(In thousands)

	Year ended December 31, 2024	February17, through December 31, 2023
Cash flows from operating activities:		
Net loss	$ (2,122)	$ (2,173)
Adjustments to reconcile net loss to net cash provided (used) by operating activities:		
Depreciation, amortization and accretion	47,188	6,310
Amortization of debt issuance costs	981	216
Contract amortization	46	—
Loss on debt extinguishment	—	2,667
Reduction in carrying amount of right-of-use assets	1,007	589
Changes in derivative instruments	(15,871)	(1,363)
Cash provided (used) by changes in other working capital:		
Accounts receivable – trade	2,950	(5,837)
Accounts receivable – affiliate	42	(42)
Inventory	(364)	—
Prepayments and other current assets	(1,016)	(2,014)
Other non-current assets	(110)	(142)
Accounts payable – trade	81	1,438
Accounts payable – affiliate	(591)	(96)
Accrued and other current liabilities	(473)	(47)
Operating lease liabilities	248	125
Net cash provided (used) by operating activities	31,996	(369)
Cash flows from investing activities:		
Capital expenditures	(20,632)	(116,165)
Payment for intangible assets	(360)	—
Acquisition of Daggett Solar Power 3 LLC	—	3,747
Transfer from affiliate	38,065	—
Net cash provided (used) by investing activities	17,073	(112,418)
Cash flows from financing activities:		
Proceeds from issuance of long-term debt	—	36,126
Payments for long-term debt	(1,495)	(303,847)
Contributions from members	5,863	279,273
Contributions from noncontrolling interests	—	314,890
Distributions to members	(30,511)	(178,186)
Distributions to noncontrolling interests	(13,994)	—
Payment of debt issuance and transaction costs	(1,175)	(13,153)
Net cash (used) provided by financing activities	(41,312)	135,103
Net increase in cash and restricted cash	7,757	22,316
Cash and restricted cash at beginning of period	22,316	—
Cash and restricted cash at end of period	$ 30,073	$ 22,316
Supplemental disclosures:		
Interest paid, net of amount capitalized	$ 16,114	$ 6,718
Non-cash investing activities:		
Reductions to fixed assets for revised capitalized asset retirement costs	(77)	(14)
Increase to fixed assets for capitalized debt issuance costs	—	547
Increase to fixed assets for transfer of prepaid insurance	—	196

See accompanying notes to consolidated financial statements.

(1) Nature of Business

Daggett Renewable Holdco LLC, or Daggett Renewable Holdco, and subsidiaries, or the Company, a Delaware limited liability company, is a partnership between Daggett Solar Investment LLC, a subsidiary of Clearway Energy Operating LLC, HA Lighthouse LLC, or HASI, a cash equity 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 Daggett Renewable Holdco are not participating interests and provide for the potential future allocation of cash in the event of excess returns on the investment by 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, which is an indirect subsidiary of BlackRock, Inc., and TotalEnergies SE. As of December 31, 2024, Clearway Energy, Inc., through its ownership of Class A and Class C common stock, had a 58.10% 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 41.90% economic interest in Clearway Energy LLC.

A description of the Company's solar and battery energy storage system, or BESS, facilities portfolio is set forth below:

Daggett Solar Power 3

Daggett Solar Power 3, LLC, or Daggett Solar Power 3, is directly owned by the Company's indirect subsidiary, Daggett TE Holdco LLC, or Daggett TE Holdco, a tax equity arrangement between Daggett Class B LLC, or Daggett Class B, and a tax equity investor, JPM Capital Corporation, or JPM Capital. Daggett Solar Power 3 owns and operates a 300-megawatt, or MW, solar photovoltaic, or PV, power generating facility and a BESS with 149 MW of capacity located in San Bernardino, California, collectively referred to as the Daggett Solar Power 3 Facility. On February 17, 2023, through its consolidated subsidiaries (shown in the diagram below), Daggett Renewable Holdco acquired Daggett Solar Power 3. See note 3, *Acquisition*, for further information about the acquisition.

Concurrently with the acquisition on February 17, 2023, in accordance with the Equity Capital Contribution Agreement, or ECCA, between the members, JPM Capital made its initial tax equity contribution of $62.4 million, distributed and held in an escrow account by Daggett Class B, and acquired the Class A membership interests in Daggett TE Holdco, whereas Daggett Class B retained the Class B membership interests. On December 1, 2023, JPM Capital made an additional contribution of $252.5 million upon the Daggett Solar Power 3 Facility reaching substantial completion. Tax equity proceeds were used for the repayment of the debt acquired in the acquisition and transaction expenses as described further in note 7, *Long-Term Debt.*

Also on February 17, 2023, Daggett Solar Investment LLC acquired the Class A membership interests in Daggett TargetCo LLC, or Daggett TargetCo, for cash consideration of $20.5 million and HASI acquired the Class B membership interests in Daggett TargetCo for cash consideration of $129.4 million from Clearway Renew. Daggett Solar Investment LLC and HASI then contributed their Class A and B membership interests, respectively, into Daggett Renewable Holdco, that consolidates Daggett TargetCo. Daggett TargetCo consolidates, through its wholly-owned subsidiary Daggett Class B LLC, or Daggett Class B, as primary beneficiary, Daggett TE Holdco LLC, or Daggett TE Holdco, a tax equity fund that indirectly owns Daggett Solar Power 3, as further described in note 9, *Variable Interest Entities*.

Daggett Solar Power 2

Effective January 1, 2024, Daggett 2 TargetCo LLC, or Daggett 2 TargetCo, a separate partnership amongst the same members and another consolidated subsidiary of Daggett Solar Investment LLC, consolidates into Daggett Renewable Holdco, pursuant to a Contribution Agreement, dated February 13, 2024. The members contributed 100% of their respective membership interests of Daggett 2 TargetCo to Daggett Renewable Holdco. Daggett 2 Class B LLC, or Daggett 2 Class B, is a wholly-owned subsidiary of Daggett 2 TargetCo. Daggett 2 Class B owns 100% of the Class B membership interests of Daggett 2 TE Holdco LLC, or Daggett 2 TE Holdco. A tax equity investor, BAL Investment & Advisory, LLC, or BofA, owns 100% of the Class A membership interests of Daggett 2 TE Holdco. Daggett 2 TargetCo consolidates, through Daggett 2 Class B, as primary beneficiary, Daggett 2 TE Holdco, a tax equity fund that indirectly owns Daggett Solar Power 2 LLC, or Daggett Solar Power 2, as further described in note 9, *Variable Interest Entities*. Daggett Solar Power 2 owns and operates a 182-MW, solar PV power generating facility, and a BESS with 131 MW of capacity located in San Bernardino, California, collectively referred to as the Daggett Solar Power 2 Facility.

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*. This was concluded to be an asset acquisition and the Company consolidates Daggett 2 TargetCo on a prospective basis in its consolidated financial statements.

The following is a summary of the assets and liabilities transferred to the Company as of January 1, 2024 (in thousands):

Assets:		
Cash and restricted cash [a]	$	38,065
Property, plant and equipment, net		400,284
Right-of-use assets, net		22,340
Derivative assets		16,489
Other current and non-current assets		2,824
Total assets		480,002
Liabilities:		
Long-term debt, net		153,906
Lease liabilities		23,075
Other current and non-current liabilities		25,848
Total liabilities		202,829
Less: noncontrolling interests		147,184
Net assets transferred	$	129,989

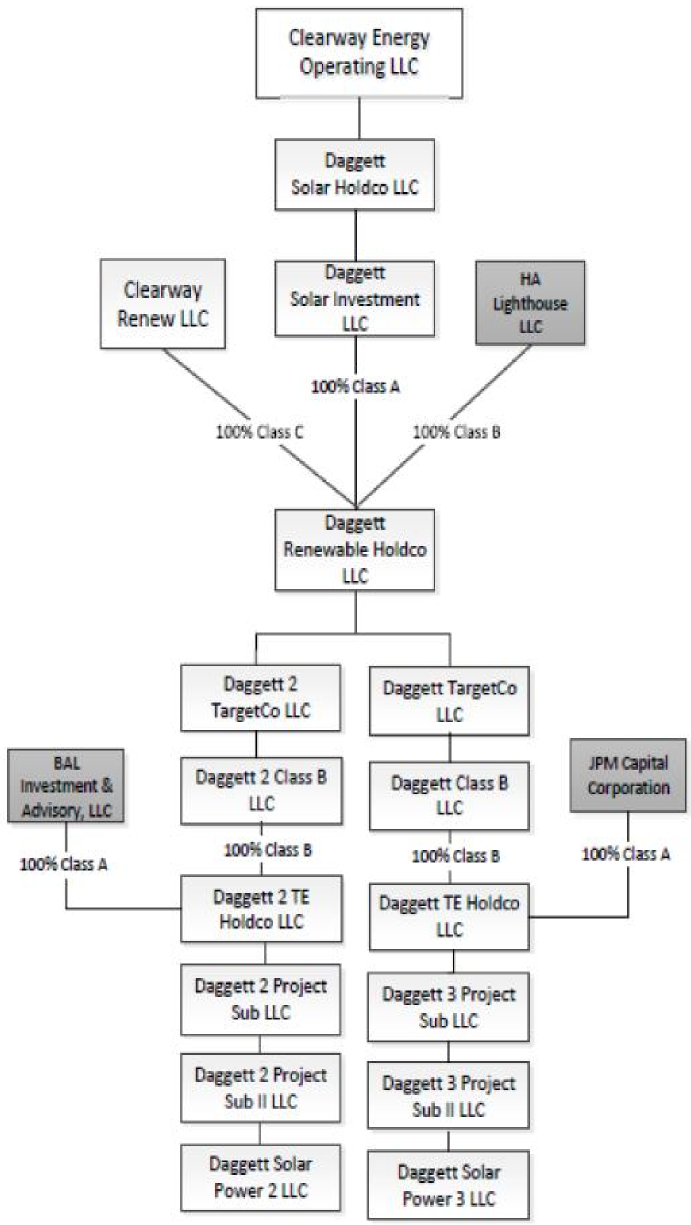
[a] On December 18, 2024, $13.0 million of the final completion reserve funded by the tax equity investor was distributed to Clearway Energy Group and included in cash distributions on the consolidated statements of equity.

DAGGETT RENEWABLE HOLDCO LLC AND SUBSIDIARIES

Notes to Consolidated Financial Statements

December 31, 2024 and 2023

The diagram below represents a summarized structure of the Company as of December 31, 2024:



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

(a) Power Purchase Agreements and Long-Term Resource Adequacy Agreements

Daggett Solar Power 3 and Daggett Solar Power 2 are contracted under the following power purchase agreements, or PPAs, and long-term resource adequacy agreements to deliver the energy output of the facilities as well as BESS capacity, resource adequacy, and renewable energy attributes. The PPAs, as amended, provide for the sale of energy based on a fixed price applied to actual production amounts. The PPAs also provide for BESS payments based on a fixed price applied to the monthly BESS contract capacity multiplied by an efficiency factor and availability adjustment as defined in the agreements. In addition, the Company qualifies for and utilizes the investment tax credit related to its solar PV and BESS assets. Under the terms of the PPAs, Daggett Solar Power 3 and Daggett Solar Power 2 have guaranteed certain performance output that if not achieved could result in the payment of shortfall amounts commencing with the commercial operation date, or COD. The Company incurred $310 thousand in damages related to the delay in COD of Daggett Solar Power 3, which Clearway Renew agreed to pay. Accordingly, the Company recorded a non-cash distribution to Clearway Renew in the consolidated statements of equity for the period from February 17, 2023 through December 31, 2023. See note 2(k) *Revenue Recognition,* for information on availability damages incurred in 2024.

Offtaker	Effective date	COD date	PV capacity (MW)	BESS capacity (MW)	Term [(a)]
Daggett Solar Power 3:					
Marin Clean Energy	9/25/2020	8/25/2023	110	60	15 years
Clean Power Alliance of Southern California	10/2/2020	11/17/2023	123	61.5	15 years
Ava Community Energy Authority [(b)]	9/29/2021	9/5/2023	50	12.5	15 years
Exelon Generation Company, LLC	6/8/2021	7/14/2023	17	15	10 years
Pacific Gas and Electric Company [(c)]	12/10/2020	9/1/2023	—	—	15 years
			300	149	
Daggett Solar Power 2:					
Clean Power Alliance of Southern California	6/4/2021	12/8/2023	65	52	15 years
Exelon Generation Company, LLC	6/8/2021	12/1/2023	52	46	10 years
Southern California Public Power Authority	6/24/2022	12/12/2023	65	33	20 years
Pacific Gas and Electric Company [(d)]	12/10/2020	12/1/2023	—	—	15 years
			182	131	

[(a)] PPA term effective through 10th, 15th or 20th anniversary of COD date.

[(b)] Effective November 29, 2023, East Bay Community Energy Authority was renamed Ava Community Energy Authority.

[(c)] Represents a long-term resource adequacy agreement to sell 15 MW of resource adequacy at a fixed price.

[(d)] Represents a long-term resource adequacy agreement to sell 46 MW of resource adequacy at a fixed price.

(b) Balance of Plant Engineering, Procurement and Construction, or EPC, Agreement

Daggett Solar Power 3 is party to an amended and restated fixed-price EPC agreement with D.H. Blattner & Sons, Inc., or Blattner, for the engineering, construction, and commissioning of the Daggett Solar Power 3 Facility for $230.9 million, that was subject to price adjustments as defined in the agreement. During the period from February 17, 2023 through December 31, 2023, the Company incurred costs under this agreement of $6.1 million, all of which were capitalized and reflected in property, plant, and equipment, net on the Company's consolidated balance sheets. Amounts due to Blattner of $135 thousand and $4.1 million, of which the Company received a $3.2 million credit, were included in accounts payable – trade as of December 31, 2024 and 2023, respectively.

(c) *Equipment Supply Contracts and Maintenance Agreements*

Equipment Supply Contracts

Clearway Renew was party to an Equipment Supply Agreement with JA Solar USA Inc., or JA Solar, for which the Company has the ability but not the obligation to purchase solar PV energy generating modules. Daggett Solar Power 3 entered into a First Amended and Restated Purchase Order supplementing the agreement between Clearway Renew and JA Solar by adjusting the price and schedule for delivery of the modules. During the period from February 17, 2023 through December 31, 2023, Daggett Solar Power 3 incurred costs related to modules of $15.4 million, all of which were capitalized and reflected in property, plant, and equipment, net on the Company's consolidated balance sheets.

Daggett Solar Power 3 and Daggett Solar Power 2 each were party to an Equipment Supply Contract with Wärtsilä North America, Inc., or Wärtsilä North America, for BESS equipment and services totaling $137.2 million and $126.9 million, respectively, that were subject to price adjustments as defined in the contracts. During the year ended December 31, 2024, the Company incurred costs under these agreements of $13.1 million, all of which were capitalized and reflected in property, plant, and equipment, net on the Company's consolidated balance sheets. During the period from February 17, 2023 through December 31, 2023, the Company incurred costs under the agreement with respect to Daggett Solar Power 3 of $13.4 million, all of which were capitalized and reflected in property, plant, and equipment, net on the Company's consolidated balance sheets. Daggett Solar Power 3 and Daggett Solar Power 2's obligations have both been fulfilled under their respective agreements.

Maintenance Agreements

Daggett Solar Power 3 and Daggett Solar Power 2 each have also contracted with Wärtsilä North America to provide certain maintenance services for their BESS. The agreements have an initial term of ten years commencing on August 11, 2023 with respect to Daggett Solar Power 3 and October 3, 2023 with respect to Daggett Solar Power 2. Each agreement will automatically renew for additional five year periods unless terminated by either party as provided for in the agreement. The agreements provide for payment of annual fixed fees, warranty fees, and capacity management fees. Amounts due to Wärtsilä North America of $3.7 million and $2.0 million are included in accounts payable – trade as of December 31, 2024 and 2023, respectively.

During the year ended December 31, 2024, the Company incurred costs under these agreements of $3.5 million, of which $3.2 million, representing annual fixed and warranty fees, is included in cost of operations in the consolidated statements of operations, and $372 thousand representing inventory, is included on the Company's consolidated balance sheets. In addition, $1.9 million, representing prepaid annual fixed and warranty fees, is included in prepayments and other current assets on the Company's consolidated balance sheets.

During the period from February 17, 2023 through December 31, 2023, the Company incurred costs under the agreement with respect to Daggett Solar Power 3 of $2.0 million, of which $463 thousand, representing annual fixed and warranty fees, was included in cost of operations in the consolidated statements of operations, $916 thousand, representing capacity management fees, was capitalized and reflected in property, plant, and equipment, net and $648 thousand, representing prepaid annual fixed and warranty fees, was included in prepayments and other current assets on the Company's consolidated balance sheets.

(d) Limited Liability Company Agreement

The Company is governed by an amended and restated limited liability company agreement, or LLCA, dated February 17, 2023, and amended February 13, 2024, but effective January 1, 2024 corresponding with the contribution of Daggett 2 TargetCo to the Company. The LLCA provides for allocations of income, taxable items and available cash to its members, which are 25% to Daggett Solar Investment LLC, the Class A Member, and 75% to HASI, 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 90% 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. The LLCA was further amended on July 29, 2024, to define distribution date as the last business day of each January, April, July and October.

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 10, *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.

(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 the 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, 2024 and 2023 (in thousands):

		2024		2023
Cash	$	18,189	$	3,641
Restricted cash		11,884		18,675
Cash and restricted cash shown in the consolidated statements of cash flows	$	30,073	$	22,316

Restricted cash in 2024 consists of funds held in construction completion reserves by Daggett Solar Power 3 and Daggett Solar Power 2. Restricted cash in 2023 primarily consisted of funds held in construction completion reserves with respect to Daggett Solar Power 3.

(c) Accounts Receivable – Trade

Trade accounts receivable are recorded at the invoiced amount and do not bear interest. The majority of the Company's customers typically receive invoices monthly with payment due within 30 days. There was no allowance for credit losses as of December 31, 2024 and 2023.

(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.

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, 2024 and the period from February 17, 2023 through December 31, 2023 was zero and $17.8 million, respectively, which includes amortized debt issuance costs of zero and $547 thousand, respectively.

(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, 2024 and 2023.

(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 to interest expense on a basis which approximates 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. Prior to reaching COD, these amortized amounts were included in the calculation of capitalized interest.

Amortization expense, included in interest expense in the consolidated statements of operations, was $981 thousand and $216 thousand for the year ended December 31, 2024 and the period from February 17, 2023 through December 31, 2023, respectively. In addition, Daggett Solar Power 3 recorded a $2.7 million loss on extinguishment of debt associated with writing off a portion of the debt issuance costs for the period from February 17, 2023 through December 31, 2023.

(h) Intangible Assets

Intangible assets represent the fair value of software licenses acquired. The Company recognizes specifically identifiable intangible assets when specific rights and contracts are acquired. The assets are amortized on a straight-line basis over the estimated useful life of the software or seven years. See note 6, *Intangible Assets,* for additional information.

(i) Leases

The Company accounts for 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 has elected to apply the practical expedient to not separate lease and non-lease components of the leases.

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 2(k), *Revenue Recognition*, below and note 11, *Leases,* for information on the Company's leases.

(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, 2024 and 2023 by the Company.

(k) Revenue Recognition

Power Purchase Agreements

The Company sells power and BESS capacity to offtakers under PPAs as described in note 1(a), *Power Purchase Agreements and Long-Term Resource Adequacy Agreements*. The PPAs with respect to power sales are derivative financial instruments that qualify for the normal purchase normal sale exception and as such, are accounted for under the revenue recognition guidance in ASC 606, *Revenue from Contracts with Customers,* or ASC 606, and revenue is recognized when the underlying power is delivered. Revenue from the sale of bundled RECs under the PPAs 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 unnecessary to allocate transaction price to multiple performance obligations.

Lease Revenue

The Company accounts for the BESS component recognized under the PPAs as operating leases in accordance with ASC 842. The BESS component includes variable payments not based on an index or rate and sales-type lease treatment would result in a loss at lease commencement. ASC 842 requires the minimum lease payments received to be amortized over the term of the lease and contingent rentals are recorded when the achievement of the contingency becomes probable. Judgment is required by management in determining the economic life of each BESS component, in evaluating whether certain lease provisions constitute minimum payments or represent contingent rent and other factors in determining whether a contract contains a lease and whether the lease is an operating lease or finance lease.

The BESS component of the PPAs has fixed capacity payments treated as minimum lease payments and variable amounts recorded as contingent rent on an actual basis when electricity is delivered. The Company recognizes the fixed capacity payments over the term of the PPAs. See note 11, *Leases*, for information on minimum future lease payments. The contingent lease revenue recognized for the year ended December 31, 2024 and the period from February 17, 2023 through December 31, 2023 was zero and $72 thousand, respectively.

Under the terms of its PPAs with offtakers, the Company incurred $2.0 million in BESS availability penalties and other charges, which was recorded as a reduction to operating revenues in the consolidated statements of operations for the year ended December 31, 2024.

Unbundled Renewable Energy Credits, or RECs, Revenue

The Company's PPAs with Exelon Generation Company, LLC provide for the sale of RECs separately. RECs are sold at a fixed price per MWh as defined in the agreements. 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. REC revenue 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.

Capacity Revenue

The Company's PPAs with Pacific Gas and Electric Company provide for the sale of resource adequacy sold at a fixed price as defined in the agreements. On May 22, 2024, the Company contracted with NRG Business Marketing LLC to sell resource adequacy of 3.35 MW with respect to Daggett Solar Power 3 and 10.2 MW with respect to Daggett Solar Power 2 at a fixed price from August 1, 2024 through December 31, 2024. In addition, on November 13, 2024, the Company contracted with Southern California Edison Company to sell resource adequacy of 17 MW with respect to Daggett Solar Power 3 and 52 MW with respect to Daggett Solar Power 2 at various prices depending on the calendar month from January 1, 2025 through December 31, 2025. The Company accounts for revenue recognized under its resource adequacy agreements in accordance with ASC 606.

Disaggregated Revenues

The following table represents the Company's disaggregation of revenue from contracts with customers for the year ended December 31, 2024 and the period from February 17, 2023 through December 31, 2023 (in thousands):

	2024	2023
Energy revenues	$ 40,604	$ 10,290
Capacity revenues	21,451	2,699
REC revenues	2,199	216
Other revenues	702	—
Total operating revenues	64,956	13,205
Less: Lease revenue	(17,695)	(2,577)
Total revenue from contracts with customers	$ 47,261	$ 10,628

Contract Balances

The following table reflects the contract assets in the Company's consolidated balance sheets as of December 31, 2024 and 2023 (in thousands):

	2024	2023
Accounts receivable – contracts with customers	$ 1,999	$ 3,954
Accounts receivable – leases	2,366	1,791
Accounts receivable – other	328	92
Total accounts receivable – trade	$ 4,693	$ 5,837

(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. The Company uses interest rate swaps to manage its interest rate exposure on long-term debt, which are not designated as cash flow hedges. Changes in the fair value of non-hedge derivatives are immediately recognized in earnings. Cash flows from derivatives not designated as cash flow hedges are classified as operating activities in the consolidated statements of cash flows. See note 4, *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 financial instruments. Accounts receivable are concentrated with utility companies and electricity providers. 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 diversification and 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 facilities below expected levels of efficiency, output and storage capacity, 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, supply chain disruptions, hostile cyber intrusions, or other similar occurrences affecting a power generation and BESS facility or its energy purchasers.

(n) Fair Value Measurements

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 receivable – affiliate, 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 are classified as Level 1 within the fair value hierarchy.

The carrying amounts and estimated fair values of the Company's recorded financial instruments not carried at fair market value or that do not approximate fair value as of December 31, 2024 and 2023 are as follows (in thousands):

	2024		2023	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Long-term debt [a]	$ 371,654	$ 379,445	$ 217,088	$ 214,235

[a] Excludes net debt issuance costs, as shown in note 7, *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. As of December 31, 2024, the fair value is higher than the carrying amount due to lower current interest rates used for discounting future cash flows compared to the stated aggregate interest rates on the outstanding debt. As of December 31, 2023, the fair value is less than the carrying amount due to higher current interest rates used for discounting future cash flows compared to the stated aggregate interest rates on the outstanding debt.

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 uses 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. As of December 31, 2024, the non-performance reserve was a $857 thousand loss recorded to interest expense in the consolidated statements of operations. For further discussion of interest rate swaps, see note 4, *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 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 8, *Asset Retirement Obligations*, for further information.

(q) 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 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) Comprehensive Loss

The Company's total comprehensive loss is equal to net loss for the year ended December 31, 2024 and the period from February 17, 2023 through December 31, 2023.

(s) 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. Actual results may differ from those estimates.

(3) Acquisition

On February 17, 2023, the Company, through its subsidiary, Daggett TE Holdco, acquired Daggett 3 Project Sub LLC, the holding company for Daggett Solar Power 3, from Daggett Project Holdco LLC, pursuant to a Membership Interest Purchase Agreement, dated November 24, 2021 and amended April 6, 2022, in connection with the acquisition of the Class A membership interests of Daggett TargetCo by Daggett Solar Investment LLC and the Class B membership interests of Daggett TargetCo by HASI from Clearway Renew, as described in note 1, *Nature of Business*. Daggett TE Holdco's purchase price was paid to Clearway Renew with amounts contributed by Daggett Solar Investment LLC and HASI. In September 2024, the Company distributed \$5.9 million to HASI for purchase price adjustments related to the acquisition of Daggett Solar Power 3 and Daggett Solar Power 2, funded through contributions by Clearway Renew. On February 17, 2023, \$62.4 million was placed into a restricted cash account designated for payment of the tax equity bridge loan as described in note 1, *Nature of Business,* as well as \$75.6 million of net proceeds from the acquisition of Daggett TargetCo, which were contributed back to the Company from Clearway Energy Group and were utilized to repay the cash equity bridge loan, along with related fees, as further described in note 7, *Long-Term Debt*. The acquisition was determined to be an asset acquisition, and the Company consolidates Daggett Solar Power 3 on a prospective basis in its consolidated 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 historical cost of the Company's net assets acquired of \$14.2 million was recorded as an adjustment to contributed capital on the Company's consolidated statements of equity.

The following is a summary of assets and liabilities transferred in connection with the acquisition as of February 17, 2023 (in thousands):

Assets:		
Current assets	$	3,776
Property, plant, and equipment, net		533,855
Right-of-use assets, net		31,250
Derivative instruments		26,744
Total assets acquired		595,625
Liabilities:		
Long-term debt [(a)]		480,311
Lease liabilities		33,102
Other current and non-current liabilities [(b)]		67,993
Total liabilities assumed		581,406
Net assets acquired	$	14,219

[(a)] Includes a $181.0 million construction loan, $75.4 million cash equity bridge loan and a $228.5 million tax equity bridge loan, offset by $4.5 million in unamortized debt issuance costs. See note 7, *Long-Term Debt*, for further discussion of the long-term debt assumed in the acquisition.

[(b)] Includes $31.9 million of construction costs that were subsequently funded by a subsidiary of Clearway Renew. Subsequent to the acquisition date, a subsidiary of Clearway Renew funded an additional $21.9 million in construction costs. The combined $53.8 million funded by a subsidiary of Clearway Renew was repaid to a subsidiary of Clearway Renew in October 2023.

(4) Accounting for Derivative Instruments and Hedging Activities

(a) Interest Rate Swaps

In accordance with the financing agreements, as described in note 6, *Long-Term Debt*, the Company has a series of outstanding amortizing interest rate swap agreements for 86% of the outstanding term loan amounts, intended to hedge the risks associated with floating interest rates. Daggett Class B and Daggett 2 Class B pay its counterparties the equivalent of a fixed interest payment on a predetermined notional amount, and quarterly, the subsidiary receives the equivalent of a floating interest payment based on Daily Simple Secured Overnight Financing Rate, or Daily Simple SOFR, calculated on the same notional amount. The notional amount of the interest rate swaps decrease in proportion to the principal balance of the loans. Daggett Class B interest rate swaps have a fixed rate of 1.8670% to 1.9030%, effective September 30, 2024, and mature on September 30, 2043, subject to mandatory early termination dates of September 29-30, 2028. Prior to September 30, 2024, the interest rate swap agreements entitled Daggett Class B to receive a floating rate based on Term Secured Overnight Financing Rate, or Term SOFR, and pay a fixed rate of 1.9080%. Daggett 2 Class B interest rate swaps have a fixed rate of 2.1701% to 2.2121%, effective March 29, 2024, and mature on March 31, 2043, subject to mandatory early termination dates of December 29-31, 2028. Prior to March 29, 2024, the interest rate swap agreements entitled Daggett 2 Class B to receive a floating rate based on Term SOFR and pay a fixed rate of 2.2171%.

(b) Volumetric Underlying Derivative Transactions

The following table summarizes the net notional volume of the Company's open interest rate swaps as of December 31, 2024 and 2023:

		Total Volume (In thousands)	
		2024	2023
Commodity	Units		
Interest	Dollars	$ 320,994	$ 186,118

(c) *Fair Value of Derivative Transactions*

The following table summarizes the Company's derivative assets on the consolidated balance sheets as of December 31, 2024 and 2023 (in thousands):

	2024	2023
Derivatives not designated as cash flow hedges:		
Interest rate contracts current	$ 6,568	$ 5,047
Interest rate contracts long-term	53,899	23,060
Total derivative assets	$ 60,467	$ 28,107

(d) *Impact of Derivative Instruments on the Consolidated Statements of Operations*

Mark-to-market gains and losses related to the Company's derivatives are recorded to interest expense. For the year ended December 31, 2024 and the period from February 17, 2023 through December 31, 2023, the impact to the consolidated statements of operations were gains of $15.9 million and $1.4 million, respectively.

(5) Property, Plant, and Equipment

The Company's major classes of property, plant, and equipment as of December 31, 2024 and 2023 consists of (in thousands):

	2024	2023	Depreciable lives
Plant equipment	$ 931,516	$ 592,827	5 - 30 years
Buildings	3,293	—	15 - 27 years
Land improvements	41,636	—	20 - 25 years
Transmission assets	20,906	—	27 years
Construction in progress	1,743	916	—
Total property, plant, and equipment	999,094	593,743	
Less accumulated depreciation	(52,612)	(6,118)	
Net property, plant, and equipment	$ 946,482	$ 587,625	

(6) Intangible Assets

As of December 31, 2024, the intangible assets subject to amortization consist of the following (in thousands):

		2024
Software licenses	$	360
Less accumulated amortization		(53)
Net intangible assets	$	307

Aggregate amortization expense was $53 thousand for the year ended December 31, 2024, which was recorded to depreciation, amortization and accretion in the consolidated statements of operations. There was no amortization expense recorded for the the period from February 17, 2023 through December 31, 2023. Estimated amortization expense for each of the next five years is $51 thousand.

(7) Long-Term Debt

The Company's long-term debt consisted of the following as of December 31, 2024 and 2023 (in thousands, except rates):

	Maturity Date(s)	2024	2023	Interest rate % [(a)]	Letters of Credit Outstanding at December 31, 2024
Non-recourse debt:					
Daggett Class B LLC	December 2028	$ 216,692	$ 217,088	S + 1.762	$ 43,733
Daggett 2 Class B LLC	December 2028	154,962	—	S + 1.762	31,917
Total long-term debt (including current maturities)		$ 371,654	$ 217,088		
Less current maturities		(1,656)	(396)		
Less debt issuance costs, net		(4,073)	(2,494)		
Long-term debt		$ 365,925	$ 214,198		

(a) As of December 31, 2024, S + equals Daily Simple SOFR plus 1.762%.

The indebtedness referenced in the aforementioned table is secured by the Company's subsidiaries interests in the facilities. In addition, each of these financing arrangements listed above contain certain covenants, including financial covenants that the Company is required to be in compliance with during the term of the respective arrangement. As of December 31, 2024, the Company was in compliance with all of the required covenants.

Daggett Class B LLC

Daggett Class B and Daggett Solar Power 3, as co-borrowers, executed a borrowing arrangement with a consortium of banking institutions, or the Daggett 3 Financing Agreement, as amended, for the construction financing of assets. On February 17, 2023, as part of the acquisition of Daggett Solar Power 3, as further described in note 3, *Acquisition*, the Company assumed the Financing Agreement which included a \$181.0 million construction loan, a \$228.5 million tax equity bridge loan, and a \$75.4 million cash equity bridge loan, offset by \$4.5 million in unamortized debt issuance costs. The cash equity bridge loan was repaid at acquisition date, along with \$8.1 million in associated fees, utilizing the proceeds contributed to the Company from the acquisition of Daggett Solar Power 3's indirect parent, Daggett TargetCo, by Daggett Solar Investment LLC and the cash equity investor. On December 1, 2023, when the Daggett Solar Power 3 Facility reached substantial completion, the tax equity investor contributed an additional \$252.5 million, which was utilized, along with the \$68.5 million in escrow, to repay the \$228.5 million tax equity bridge loan, to fund \$40.4 million in completion reserves, and to pay \$7.5 million in associated fees, with the remaining \$44.6 million distributed to Clearway Energy Group. Subsequent to the acquisition on February 17, 2023, the Company borrowed an additional \$36.1 million in construction loans and the total outstanding construction loans were converted to a term loan in the amount of \$217.1 million on December 1, 2023.

Daggett 2 Class B LLC

Daggett 2 Class B and Daggett Solar Power 2, as co-borrowers, executed a borrowing arrangement with a consortium of banking institutions, or the Daggett 2 Financing Agreement, as amended, for the construction financing of assets. Effective January 1, 2024, as part of the transfer of the ownership interest in Daggett 2 TargetCo to the Company as further described in note 1, *Daggett Solar Power 2*, the Company assumed the Daggett 2 Financing Agreement which included a \$156.1 million term loan, offset by \$2.2 million in unamortized debt issuance costs.

Annual Maturities

Annual payments based on the maturities of the Company's debt as of December 31, 2024 are summarized as follows (in thousands):

Year ending December 31:		
2025	$	1,656
2026		1,615
2027		1,472
2028		366,911
	$	371,654

Interest Rate Swaps

The Company's subsidiaries entered into interest rate swap agreements to hedge the majority of the variable interest rate exposure associated with floating rate debt. For further details regarding the interest rate swap agreements, see Note 4, *Accounting for Derivative Instruments and Hedging Activities*.

(8) Asset Retirement Obligations

The Company's AROs are the estimated cost to remove the above ground solar and BESS equipment and restore the site to conditions similar to the surrounding parcels. The following table represents the balance of the AROs, along with the related activity for the year ended December 31, 2024 and the period from February 17, 2023 through December 31, 2023 (in thousands):

Balance as of February 17, 2023	$	—
Acquired liabilities		3,989
Revisions in estimated cash flows		(14)
Accretion expense		292
Balance as of December 31, 2023		4,267
Liabilities acquired from Daggett Power Solar 2		12,527
Revisions in estimated cash flows		(77)
Accretion expense		1,026
Balance as of December 31, 2024	$	17,743

(9) Variable Interest Entities, or VIEs

The Company has a controlling financial interest in certain entities which have been identified as VIEs under ASC 810, *Consolidations*. These arrangements are related to tax equity arrangements entered into with third parties in order to monetize certain tax credits associated with the solar and BESS facilities. Under the Company's arrangements that have been identified as VIEs, the third-party investors are allocated earnings, tax attributes, and distributable cash in accordance with the respective limited liability company agreements. Many of these arrangements also provide a mechanism to facilitate achievement of the investor's specified return by providing incremental cash distributions to the investor at a specified date if the specified return has not yet been achieved. The Company indirectly holds the Class B membership interests in tax equity funds, which include Daggett TE Holdco and Daggett 2 TE Holdco.

Daggett TE Holdco

Daggett TargetCo LLC, or Daggett TargetCo, is a wholly owned subsidiary of the Company. Daggett TargetCo consolidates as primary beneficiary and through its ownership of the Class B membership interests, Daggett TE Holdco, a tax equity fund which is a VIE, that indirectly owns Daggett Solar Power 3. The Class A membership interests in Daggett TE Holdco are held by a tax equity investor, JPM Capital, and are reflected as noncontrolling interest on the Company's consolidated balance sheets.

Daggett 2 TE Holdco

As described in note 1, *Daggett Solar Power 2*, on January 1, 2024, the Company was transferred the ownership interest in Daggett 2 TargetCo. Daggett 2 TargetCo consolidates as primary beneficiary and through its ownership of the Class B membership interests, Daggett 2 TE Holdco, a tax equity fund which is a VIE, that indirectly owns Daggett Solar Power 2. The Class A membership interests in Daggett 2 TE Holdco are held by a tax equity investor, BofA, and are reflected as noncontrolling interest on the Company's consolidated balance sheets.

Summarized financial information for the Company's consolidated VIEs consisted of the following as of December 31, 2024 (in thousands):

	Daggett TE Holdco	Daggett 2 TE Holdco
Other current and non-current assets	$ 47,263	$ 37,496
Property, plant, and equipment, net	561,525	384,957
Total assets	608,788	422,453
Current liabilities	3,314	2,578
Non-current liabilities	38,360	36,163
Total liabilities	41,674	38,741
Net assets	$ 567,114	$ 383,712

Summarized financial information for the Company's consolidated VIEs consisted of the following as of December 31, 2023 (in thousands):

	Daggett TE Holdco
Other current and non-current assets	$ 58,805
Property, plant, and equipment, net	587,625
Total assets	646,430
Current liabilities	9,576
Non-current liabilities	37,792
Total liabilities	47,368
Net assets	$ 599,062

Net assets	$ 599,602

.(10) Related Party Transactions

The Company has the following related party transactions and relationships in addition to the lease agreements described in note 11, *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.

Daggett Renewable Holdco and Daggett 2 TargetCo each have a Management Services Agreement for asset management and administration services with Clearway Asset Services LLC, a subsidiary of Clearway Energy Group. The agreements have an initial term of ten years commencing on December 1, 2023 with respect to Daggett Renewable Holdco and December 22, 2023 with respect to Daggett 2 TargetCo with provisions for extension until terminated. The agreements provide for the payment of fixed fees that escalate annually, as defined in the agreements, and for the reimbursement of reasonable expenses incurred in connection with its services. For the year ended December 31, 2024, the Company incurred costs of $94 thousand under these agreements. These costs are included in cost of operations in the consolidated statements of operations. No costs were incurred under the agreement with respect to Daggett Renewable Holdco for the period from February 17, 2023 through December 31, 2023.

Daggett Solar Power 3 had a Construction Management Agreement with Renewables Construction LLC, or Renewables Construction, a subsidiary of Clearway Renew, effective October 28, 2021 through the three months following the commercial operations date. Under the terms of the agreement, Renewables Construction provided certain construction management and administrative services for the Daggett Solar Power 3 Facility. As full compensation for the services provided, Renewables Construction was paid a service fee of $40.0 million. The service fee was payable on or before the commercial operation capital contribution date. As of December 31, 2023, $40.0 million of costs have been incurred under this agreement, $4.0 million of which were previously capitalized and are reflected in property, plant, and equipment, net on the Company's consolidated balance sheets and $36.0 million of costs represented a development margin and was recorded as a distribution to Clearway Renew included in contributed capital in the consolidated statements of equity. Daggett Solar Power 3's obligations have been fulfilled under this agreement.

Daggett Solar Power 3 and Daggett Solar Power 2 each have an Operation and Maintenance Agreement, or O&M Agreement, with Clearway Renewable Operation & Maintenance LLC, or RENOM, a subsidiary of Clearway Energy Group, to provide operation and maintenance services for the balance of the plant not covered by the maintenance agreement with Wärtsilä North America. The O&M Agreements have an initial term of ten years commencing on May 28, 2021 with respect to Daggett Solar Power 3 and July 15, 2022 with respect to Daggett Solar Power 2. Each agreement will automatically renew for additional five year periods unless terminated by either party as provided for in the O&M Agreements. The O&M Agreements allow for reimbursement of mobilization expenses, start-up expenses, and direct operating and capital improvement expenses, including a five percent markup. Additionally, there is an annual profit fee subject to performance factors with an annual escalation of 2.25%. For the year ended December 31, 2024, the Company incurred costs of $2.1 million, which are included in cost of operations in the consolidated statements of operations. On July 5, 2024, RENOM entered into a reimbursement agreement with Daggett Solar Power 3 and Daggett Solar Power 2, whereby RENOM agreed to reimburse a total of $1.6 million, but under no obligation to do so, for costs incurred by the facilities under certain offtaker agreements. This reimbursement is included as a reduction to the costs described above, and is included in cost of operations in the consolidated statements of operations. For the period from February 17, 2023 through December 31, 2023, the Company incurred costs of $858 thousand under the agreement with respect to Daggett Solar Power 3, of which $94 thousand of these costs are included in cost of operations in the consolidated statements of operations and $764 thousand was capitalized and reflected in property, plant, and equipment, net on the Company's consolidated balance sheets.

Clearway Asset Services LLC provides administrative services to Daggett Solar Power 3 and Daggett Solar Power 2 pursuant to Project Administrative Agreements, or PAAs. The PAAs have an initial term of ten years commencing on October 28, 2021 with respect to Daggett Solar Power 3 and July 15, 2022 with respect to Daggett Solar Power 2. The PAAs will automatically renew in one-year increments unless either party delivers written notice of termination to the other party no later than 180 days prior to the expiration of the initial term or applicable renewal term. The PAAs provide for the payment of fixed fees per annum with an annual escalation of 2.25%, and reimburses Clearway Asset Services LLC for reasonable expenses incurred in connection with its services. For the year ended December 31, 2024, the Company incurred costs of $499 thousand under these agreements. For the period from February 17, 2023 through December 31, 2023, the Company incurred costs of $325 thousand under the agreement with respect to Daggett Solar Power 3. These costs are included in cost of operations in the consolidated statements of operations.

(11) Leases

Lessee - Related Party

The Company has a solar facility ground lease agreement with Daggett Land Holdings LLC, a subsidiary of Clearway Renew, which grants Daggett Solar Power 3 exclusive easement rights to use the land on which the solar power facilities are located. The Company is obligated to pay fixed fee rent payments as defined in the agreement through December 18, 2062. The Company has a lease liability of $33.5 million and a corresponding right-of-use asset, net of $30.0 million related to the lease as of December 31, 2024.

The Company has a solar facility ground lease agreement with Daggett Land Holdings 2 LLC, a subsidiary of Clearway Renew, which grants Daggett Solar Power 2 exclusive easement rights to use the land on which the solar power facilities are located. The Company is obligated to pay fixed fee rent payments as defined in the agreement through June 30, 2058. The Company has a lease liability of $23.0 million and a corresponding right-of-use asset, net of $22.0 million related to the lease as of December 31, 2024.

Lease expense for the year ended December 31, 2024 and the period from February 17, 2023 through December 31, 2023 was $3.8 million and $2.3 million, respectively. These costs are included in cost of operations in the consolidated statements of operations.

Operating lease information as of December 31, 2024 and 2023 was as follows (in thousands, except term and rate):

		2024		2023
Right-of-use assets - operating leases, net [a]	$	51,994	$	30,661
Short-term lease liability - operating leases	$	(231)	$	(298)
Long-term lease liability - operating leases		56,781		33,525
Total lease liabilities [a]	$	56,550	$	33,227
Weighted average remaining lease term		36 years		39 years
Weighted average discount rate		5.18 %		5.69 %

[a] There were increases in 2024 in right-of-use assets and total lease liabilities primarily due to the transfer of Daggett Solar Power 2. See note 1, *Nature of Business,* for further information.

		Year ended December 31, 2024		February17, through December 31, 2023
Cash paid for operating leases	$	2,590	$	1,609

Minimum future rental payments of operating lease liabilities as of December 31, 2024 are as follows (in thousands):

2025	$	2,622
2026		2,665
2027		2,714
2028		2,767
2029		2,821
Thereafter		131,689
Total lease payments		145,278
Less imputed interest		(88,728)
Total lease liability - operating leases	$	56,550

Lessor

Revenues derived from the BESS component of the Company's PPAs are accounted for as operating leases. The terms of the PPAs are further discussed in note 1(a), *Power Purchase Agreements and Long-Term Resource Adequacy Agreements* and note 2(k), *Revenue Recognition*. Minimum future rent payments the Company expects to receive for the remaining periods related to operating leases as of December 31, 2024 are as follows (in thousands):

2025	$	20,405
2026		20,405
2027		20,405
2028		20,405
2029		20,405
Thereafter		182,907
Total lease payments	$	284,932

Property, plant, and equipment, net related to the Company's operating leases were estimated as follows for December 31, 2024 and 2023 (in thousands):

		2024		2023
Property, plant, and equipment	$	325,973	$	163,459
Accumulated depreciation		(22,329)		(2,130)
Net property, plant, and equipment	$	303,644	$	161,329

(12) Subsequent Events

The Company has evaluated subsequent events from the balance sheet date through March 21, 2025, the date at which the consolidated financial statements were available to be issued, and determined that there are no additional items to disclose.

LIGHTHOUSE RENEWABLE HOLDCO 2 LLC AND SUBSIDIARIES

Consolidated Financial Statements

December 31, 2024, 2023, and 2022

(With Report of Independent Auditors)

LIGHTHOUSE RENEWABLE HOLDCO 2 LLC AND SUBSIDIARIES

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Report of Independent Auditors

To the Members of Lighthouse Renewable Holdco 2 LLC

Opinion

We have audited the accompanying consolidated financial statements of Lighthouse Renewable Holdco 2 LLC and its subsidiaries (the "Company"), which comprise the consolidated balance sheet as of December 31, 2024, and the related consolidated statements of operations, of equity and of cash flows for the year then ended, including the related notes (collectively referred to as 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, 2024, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (US 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 audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Other Matter

The consolidated financial statements of the Company as of December 31, 2023, and for the year then ended, were audited by other auditors whose report, dated March 28, 2024, expressed an unmodified opinion on those statements.

Emphasis of Matter

As discussed in Note 1 to the consolidated financial statements, the Company estimates based on its forecasts of expected cash flows during the twelve months from the report issuance date that there may be insufficient cash to pay for all of its obligations as they become due. Management's evaluation of the events and conditions and management's plans to mitigate these matters are also described in Note 1.

As discussed in Note 1 to the consolidated financial statements, in order to fund its obligations, the Company has as obtained letters from Clearway Energy Operating LLC on behalf of its subsidiary Lighthouse Renewable Class A LLC and HA Lighthouse LLC confirming they will not demand payment on the outstanding intercompany demand promissory notes and intend to provide support up to $1.75 million each to meet the Company's obligations as they become due through at least one year and a day from March 27, 2025. Our opinion is not modified with respect to this matter.

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 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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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 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 US 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 US 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.

The consolidating balance sheet and consolidating statement of income as of December 31, 2023, and for the year then ended were audited by other auditors whose report, dated March 28, 2024 expressed an opinion that the 2023 consolidating balance sheet and consolidating statement of operations were fairly stated, in all material respects, in relation to the 2023 consolidated financial statements taken as a whole.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Baltimore, Maryland
March 27, 2025

LIGHTHOUSE RENEWABLE HOLDCO 2 LLC AND SUBSIDIARIES

Consolidated Balance Sheets

December 31, 2024 and 2023

(In thousands)

Assets	**2024**	**2023**
Current assets:		
Cash	$ 2,933	$ 3,551
Restricted cash	7,592	33,683
Accounts receivable – trade	5,866	9,722
Derivative instruments	2,000	1,644
Prepayments	2,601	1,682
Other current assets	616	232
Total current assets	21,608	50,514
Property, plant, and equipment, net	1,296,150	1,085,731
Other assets:		
Intangible assets, net	1,868	1,266
Derivative instruments	14,016	2,761
Right-of-use assets, net	102,010	82,921
Other non-current assets	6,662	4,769
Total other assets	124,556	91,717
Total assets	$ 1,442,314	$ 1,227,962
Liabilities and Equity		
Current liabilities:		
Current portion of long-term debt	$ 6,960	$ 2,296
Notes payable	17,594	17,939
Notes payable – affiliate	6,979	4,744
Accounts payable – trade	3,567	22,949
Accounts payable – affiliate	1,379	5,119
Accrued property and other taxes	8,107	4,861
Derivative instruments	25,232	23,958
Lease liabilities	698	524
Accrued and other current liabilities	2,073	2,480
Total current liabilities	72,589	84,870
Other liabilities:		
Long-term debt	168,406	98,590
Derivative instruments	160,632	142,200
Deferred income taxes	1,870	839
Asset retirement obligations	30,299	18,650
Long-term lease liabilities	103,772	85,361
Tracking accounts	22,500	22,500
Other non-current liabilities	10,273	—
Total other liabilities	497,752	368,140
Total liabilities	570,341	453,010
Commitments and contingencies		
Equity:		
Members' equity	203,862	184,635
Noncontrolling interest	668,111	590,317
Total equity	871,973	774,952
Total liabilities and equity	$ 1,442,314	$ 1,227,962

See accompanying notes to consolidated financial statements.

LIGHTHOUSE RENEWABLE HOLDCO 2 LLC AND SUBSIDIARIES

Consolidated Statements of Operations

Years ended December 31, 2024, 2023, and 2022

(In thousands)

		2024	2023	2022
Operating revenues:				
Total operating revenues	$	16,240	$ (1,435)	$ (33,896)
Operating costs and expenses:				
Cost of operations		41,487	16,650	14,984
Depreciation, amortization and accretion		58,828	20,316	19,522
Total operating costs and expenses		100,315	36,966	34,506
Operating loss		(84,075)	(38,401)	(68,402)
Other income (expense):				
Interest income		687	—	—
Loss on debt extinguishment		(489)	—	—
Other expense		(12)	(5)	—
Interest expense		(7,382)	(1,664)	(255)
Total other expense		(7,196)	(1,669)	(255)
Loss before income taxes		(91,271)	(40,070)	(68,657)
Income tax expense (benefit)		1,031	(1,719)	163
Net loss		(92,302)	(38,351)	(68,820)
Less: net loss attributable to noncontrolling interest		(45,963)	(13,797)	(12,940)
Net loss attributable to Lighthouse Renewable Holdco 2 LLC and subsidiaries	$	(46,339)	$ (24,554)	$ (55,880)

See accompanying notes to consolidated financial statements.

LIGHTHOUSE RENEWABLE HOLDCO 2 LLC AND SUBSIDIARIES

Consolidated Statements of Equity

Years ended December 31, 2024, 2023, and 2022

(In thousands)

	Lighthouse Renewable Class A LLC Contributed (deficit) capital	HA Lighthouse LLC Contributed capital	Retained earnings (Accumulated deficit)	Noncontrolling interest	Total equity
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
Net loss	—	—	(24,554)	(13,797)	(38,351)
Acquisition of Texas Solar Nova 1	(28,730)	—	—	—	(28,730)
Mesquite Star Special net assets transferred from affiliate	47,847	15,180	—	228,457	291,484
Member loans transferred from affiliate	(8,967)	(8,598)	—	—	(17,565)
Cash contributions	63,894	108,742	—	—	172,636
Cash contributions from noncontrolling interests	—	—	—	148,244	148,244
Cash distributions	(22,781)	—	—	—	(22,781)
Payment of transaction costs	—	—	—	(2,846)	(2,846)
Non-cash contributions (distributions), net	(73)	—	—	211	138
Balance at December 31, 2023	$ 26,002	$ 238,721	$ (80,088)	$ 590,317	$ 774,952
Net loss	—	—	(46,339)	(45,963)	(92,302)
Acquisition of Texas Solar Nova 2	(40,002)	—	—	—	(40,002)
Cash contributions	39,917	95,242	—	—	135,159
Cash contributions from noncontrolling interests	—	—	—	130,264	130,264
Cash distributions	(29,591)	—	—	—	(29,591)
Cash distributions to noncontrolling interests	—	—	—	(2,805)	(2,805)
Payment of transaction costs	—	—	—	(2,938)	(2,938)
Non-cash distributions	—	—	—	(764)	(764)
Balance at December 31, 2024	$ (3,674)	$ 333,963	$ (126,427)	$ 668,111	$ 871,973

See accompanying notes to consolidated financial statements.

LIGHTHOUSE RENEWABLE HOLDCO 2 LLC AND SUBSIDIARIES

Consolidated Statements of Cash Flows

Years ended December 31, 2024, 2023, and 2022

(In thousands)

	2024	2023	2022
Cash flows from operating activities:			
Net loss	$ (92,302)	$ (38,351)	$ (68,820)
Adjustments to reconcile net loss to net cash (used) provided by operating activities:			
Depreciation, amortization and accretion	58,828	20,316	19,522
Reduction in carrying amount of right-of-use assets	1,936	814	599
Contract amortization	249	154	154
Amortization of property tax abatement payments	486	162	—
Amortization of debt issuance costs	232	—	—
Loss on debt extinguishment	489	—	—
Loss on disposal of assets	—	(1,935)	—
Income tax expense (benefit)	1,031	(1,719)	163
Changes in derivative instruments	14,582	6,217	34,425
Cash provided (used) by changes in other working capital:			
Accounts receivable – trade	(742)	3,212	(440)
Accounts receivable – affiliate	140	—	—
Prepayments and other current assets	(1,239)	423	(163)
Accounts payable – trade	(7,424)	1,696	2,037
Accounts payable – affiliate	706	(2,030)	(399)
Accrued property and other taxes	2,953	(1,097)	4,102
Accrued and other current liabilities	1,165	(1,163)	935
Tracking accounts	—	—	11,687
Other non-current assets and non-current liabilities	8,842	—	—
Operating lease liabilities	(628)	(448)	(164)
Net cash (used) provided by operating activities	(10,696)	(13,749)	3,638
Cash flows from investing activities:			
Acquisitions	(111,388)	(20,040)	—
Transfer from affiliate	—	2,079	—
Capital expenditures	(10,720)	3,172	(25,655)
Proceeds from insurance claim	1,581	—	—
Payments for intangible assets	(1,009)	—	—
Net cash used by investing activities	(121,536)	(14,789)	(25,655)
Cash flows from financing activities:			
Proceeds from issuance of debt	—	11,647	—
Payments of debt	(120,692)	(259,680)	—
Proceeds from issuance of notes payable	2,000	2,900	—
Payments for notes payable	(3,025)	(367)	—
Proceeds from issuance of notes payable – affiliate	2,000	2,900	—
Payments for notes payable – affiliate	(402)	—	—
Reimbursement of settlement to Clearway Energy Group	(4,447)	—	—
Acquisition of noncontrolling interest	—	—	(12,089)
Distribution of additional consideration paid to Clearway Renew	—	—	(22,129)
Contributions from members	135,159	172,636	22,991
Contributions from noncontrolling interests	130,264	148,244	—
Distributions to members	(29,591)	(22,781)	(397)
Distributions to noncontrolling interests	(2,805)	—	—
Payment of transaction costs	(2,938)	(2,846)	—
Net cash provided (used) by financing activities	105,523	52,653	(11,624)
Net (decrease) increase in cash and restricted cash	(26,709)	24,115	(33,641)
Cash and restricted cash at beginning of year	37,234	13,119	46,760
Cash and restricted cash at end of year	$ 10,525	$ 37,234	$ 13,119

See accompanying notes to consolidated financial statements.

LIGHTHOUSE RENEWABLE HOLDCO 2 LLC AND SUBSIDIARIES

Consolidated Statements of Cash Flows — Supplemental Disclosures

Years ended December 31, 2024, 2023, and 2022

(In thousands)

	2024	2023	2022
Supplemental disclosures:			
Interest paid	$ 11,376	$ —	$ —
Non-cash investing and financing activities:			
Increase to accounts receivable – trade for liquidated damages/insurance claims	899	4,314	—
Increase to notes payable and notes payable – affiliate for accrued interest	1,317	—	—
Increase to fixed assets for accrued capital expenditures	—	574	—
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, or the Class A Member, a subsidiary of Clearway Energy Operating LLC, HA Lighthouse LLC, or HASI, a cash equity 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.

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, 2024, Clearway Energy, Inc., through its ownership of Class A and Class C common stock, had a 58.10% 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 41.90% economic interest in Clearway Energy LLC.

Liquidity Matters

The Company estimates based on its forecasts of expected cash flows during the next twelve months from the report issuance date that there may be insufficient cash to pay for all its obligations as they become due. The Company has intercompany demand promissory notes, including accrued interest, of $24.9 million outstanding as of December 31, 2024 that could be demanded from its members, as further described in note 8, *Notes Payable*. The Company has obtained letters from Clearway Energy Operating LLC, on behalf of its subsidiary Lighthouse Renewable Class A LLC, and HA Lighthouse LLC confirming that they will not demand payment on the outstanding intercompany demand promissory notes and intend to provide support up to $1.75 million each to meet the Company's obligations as they become due through at least one year and a day from March 27, 2025.

A description of the Company's solar and wind facilities portfolio is set forth below:

Texas Solar Nova 2 LLC

On March 15, 2024, through its consolidated subsidiaries (shown in the diagram below), Lighthouse 2 acquired Texas Solar Nova 2 LLC, or Texas Solar Nova 2, also referred to as TSN2, as further described in note 3, *Acquisitions*. TSN2 is directly owned by the Company's indirect subsidiary, TSN1 TE Holdco LLC, or TSN1 TE Holdco, a tax equity arrangement between TSN1 Class B Member LLC, or TSN1 Class B, and a third-party investor, JPMorgan Chase Bank, N.A, or JPMorgan Chase. TSN2 owns and operates a 200-megawatt (MW) solar photovoltaic power generating facility, or the TSN2 Facility, located in Kent County, Texas. The TSN2 Facility achieved 100% commercial operations, or COD, on February 15, 2024.

Also on March 15, 2024, in accordance with the Equity Capital Contribution Agreement, or ECCA, as amended, between the members of TSN1 TE Holdco, JPMorgan Chase made a contribution of \$130.3 million in connection with the acquisition of TSN2, the proceeds of which were used for the repayment of debt assumed in the acquisition and for a \$14.9 million distribution to Clearway Renew.

Texas Solar Nova 1 LLC

On December 28, 2023, through its consolidated subsidiaries (shown in the diagram below), Lighthouse 2 acquired Texas Solar Nova 1, LLC, or Texas Solar Nova 1, also referred to as TSN1, as further described in note 3, *Acquisitions*. TSN1 is directly owned by TSN1 TE Holdco. TSN1 owns and operates a 252-MW solar photovoltaic power generating facility, or the TSN1 Facility, located in Kent County, Texas. The TSN1 Facility achieved 100% COD on December 1, 2023.

Concurrent with the acquisition on December 28, 2023, in accordance with the ECCA between the members of TSN1 TE Holdco, JPMorgan Chase made a contribution of \$148.2 million and acquired the Class A membership interests in TSN 1 TE Holdco, whereas TSN1 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.

Mesquite Star Special LLC

Effective on August 31, 2023 and pursuant to a Master Transfer Agreement, a separate partnership owned by the Company's Class A Member, Lighthouse Renewable Holding Sub LLC, transferred its ownership interest in Mesquite Star Class B Holdco LLC, or Mesquite Star Class B, to the Company. Mesquite Star Class B owns the Class B membership interests of Mesquite Star Tax Equity Holdco LLC, or Mesquite Star TE Holdco, a tax equity arrangement with third-party investor MidAmerican Wind Tax Equity Holdings LLC, or MidAmerican. Mesquite Star TE Holdco directly owns Mesquite Star Special, LLC, or Mesquite Star Special, who owns and operates a 418.9-MW wind powered electricity-generating system comprised of Siemens Gamesa SG3.55-132 MW turbines, a power collection system and power substation, or the Mesquite Star Special Facility, located in Fisher County, Texas. The Mesquite Star Special Facility achieved 100% COD on May 26, 2020.

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*. This was concluded to be an asset acquisition and the Company consolidates Mesquite Star Special on a prospective basis in its financial statements. Simultaneously on August 31, 2023, a separate partnership owned by the Company's Class A Member, Lighthouse Renewable Holdco LLC, transferred and assigned to the Company all of its rights and obligations under member loans, as further discussed in note 8, *Notes Payable*.

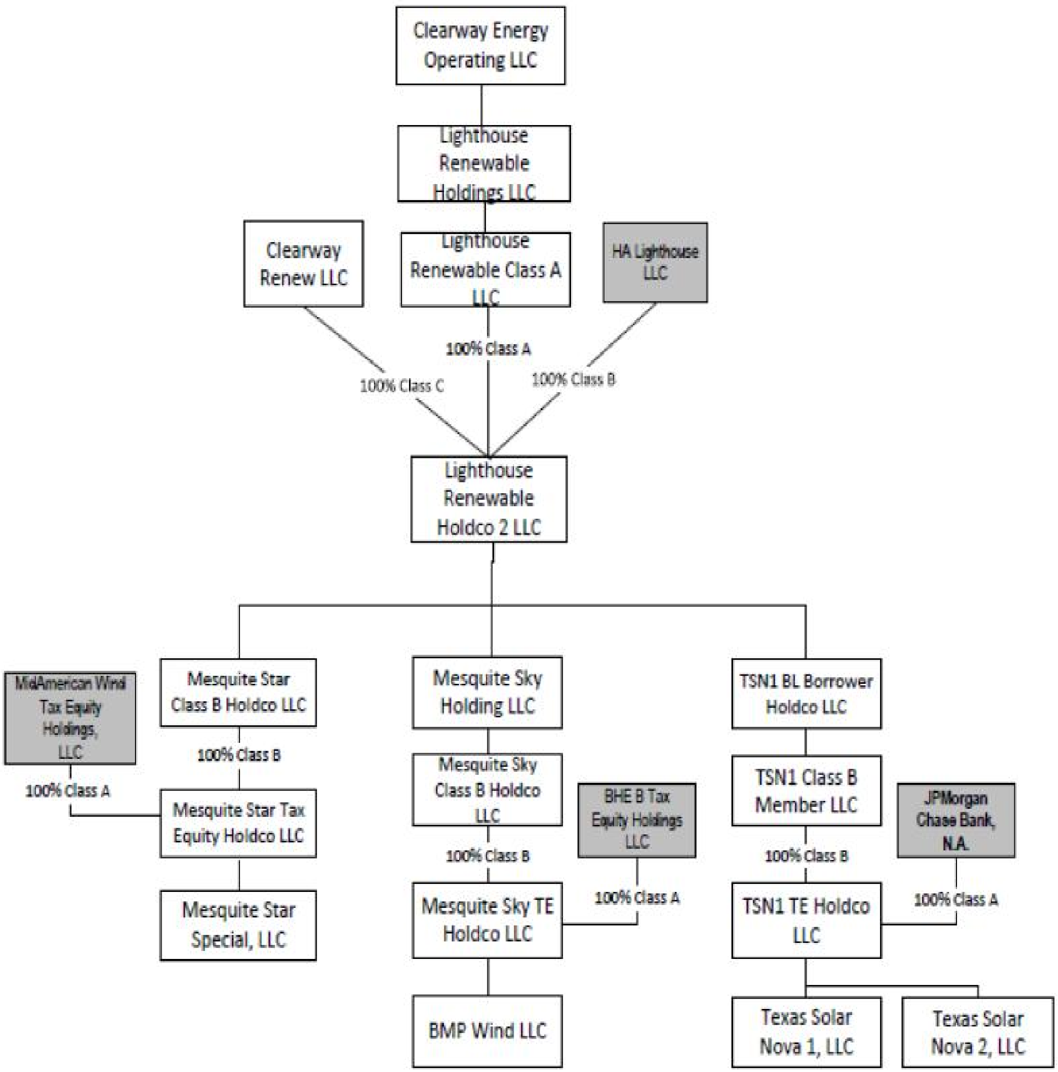
The following is a summary of the assets and liabilities related to Mesquite Star Special, excluding the member loans, transferred to the Company as of August 31, 2023 (in thousands):

		2023
Assets:		
Cash	$	2,079
Property, plant, and equipment, net		395,566
Right-of-use assets, net		29,246
Other current and non-current assets		7,357
Total assets		434,248
Liabilities:		
Lease liabilities		33,614
Derivative liabilities		83,284
Tracking account		10,500
Other current and non-current liabilities		15,366
Total liabilities		142,764
Less: Noncontrolling interests		228,457
Net assets transferred	$	63,027

BMP Wind LLC (Mesquite Sky)

BMP Wind LLC, or Mesquite Sky, 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. Mesquite Sky owns and operates a 340-MW wind powered electricity-generating system comprised of Siemens Gamesa SG 5.0-145 MW turbines, or the Mesquite Sky Facility, located in Callahan County, Texas. The Mesquite Sky Facility achieved 100% COD on December 1, 2021.

The diagram below represents a summarized structure of the Company as of December 31, 2024:



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

Limited Liability Company Agreement

The Company is governed by a limited liability agreement, or LLCA, executed on December 17, 2021, which was amended on each of March 18, 2022, August 30, 2023, December 28, 2023 and March 15, 2024. The LLCA provides for allocations of income, taxable items and available cash related to the Mesquite Sky and Mesquite Star Special facilities, 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. For the TSN1 and TSN2 Facilities, allocations of income, taxable items and available cash are 50% to Lighthouse Renewable Class A and 50% to HASI until December 2033, then are 25% to Lighthouse Renewable Class A and 75% to HASI thereafter, also subject to the pay back of member loans, if any. In addition, subsequent to December 31, 2036, up to 100% 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 Facility, the Mesquite Star Special Facility, or the TSN1 and TSN2 Facilities, to cause the assets to be properly operated and maintained and pay for the costs, expenses, obligations and liabilities of each facility, 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. See note 8, *Notes Payable* for information regarding member loans issued in 2023 and 2024.

In accordance with the provisions 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 11, *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.

Mesquite Sky Agreements

(a) ISDA Master Agreement

Mesquite Sky 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 Sky Hedge Agreement. Under the Sky Hedge Agreement, Mesquite Sky is party to a 12-year agreement to sell power to a counterparty at a fixed price, which is utilized to manage the risk of fluctuations in market prices on sales of electricity. The energy-related commodity contract is accounted for as a derivative financial instrument as described in note 2(k), *Derivative Financial Instruments*. The Sky 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, July 27, 2022, and January 27, 2023, Mesquite Sky executed amendments to the energy-related commodity contract under the Sky 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, August 1, 2022 through August 31, 2022, and February 1, 2023 through February 28, 2023. The Company paid settlement fees to the counterparty for these amendments, which totaled zero, $324 thousand, and $3.1 million for the years ended December 31, 2024, 2023, and 2022, respectively, and were recorded as a reduction to operating revenues in the consolidated statements of operations. Mesquite Sky was permitted to utilize the tracking account liability to finance the cost of this settlement in 2022 and recorded the amounts as an increase to the tracking account liability. See *Tracking Account* below for further detail on the tracking account.

Tracking Account

The energy-related commodity contract contains provisions that allow Mesquite Sky to receive additional money from the counterparty when the price of electricity at the interconnection point of the Mesquite Sky Facility is less than the price of electricity at the hub where Mesquite Sky 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 Mesquite Sky increase the tracking account liability owed by Mesquite Sky up to the maximum liability of $12.0 million. When the calculated mismatch amount results in Mesquite Sky 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 energy-related commodity contract on September 30, 2033, the tracking account balance will be settled between Mesquite Sky and the counterparty. If the tracking account balance is less than zero, then Mesquite Sky shall pay the counterparty the absolute value of the tracking account balance. As of both December 31, 2024 and 2023, Mesquite Sky had a tracking account liability balance of $12.0 million on the Company's consolidated balance sheets. As of December 31, 2024, a subsidiary of Lighthouse Renewable Class A LLC, issued a letter of credit in favor of the hedge counterparty for $12.2 million.

(b) Virtual Power Purchase Agreements

Mesquite Sky is party to the following amended renewable energy purchase agreements, referred to as virtual power purchase agreements, or VPPAs, which provide for Mesquite Sky 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, Mesquite Sky has guaranteed certain availability that if not achieved could result in the payment of shortfall amounts. See note 2(j) *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] Mesquite Sky issued surety bonds in favor of Deere & Company for $11.1 million as of December 31, 2024.

[c] A subsidiary of Lighthouse Renewable Class A, on behalf of Mesquite Sky, issued a letter of credit in favor of Whirlpool Corporation for $5.7 million as of December 31, 2024, which expires on December 17, 2025.

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

Mesquite Sky contracted with Siemens Gamesa Renewable Energy, Inc., or Siemens, to provide certain warranty, maintenance, and repair services for the wind turbines. Payment provisions provide for an annual service fee per turbine plus escalation paid in quarterly installments. On July 11, 2022, Mesquite Sky's service and warranty agreement with Siemens was amended and restated in its entirety, and further amended on February 23, 2024 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, set annual limitations on availability liquidated damages, and set the term of the agreement to expire on July 11, 2032, unless extended until December 31, 2032, or terminated early as provided for in the agreement.

Total costs incurred under this agreement were $4.3 million, $3.0 million, and $2.1 million, for the years ended December 31, 2024, 2023, and 2022, respectively. These costs are included in cost of operations in the consolidated statements of operations. Payment of the service fees and accrued interest of $4.3 million related to 2024 has been deferred until the Mesquite Sky Facility reaches 95% availability for six consecutive months pursuant to the agreement described above, and is included in other non-current liabilities on the consolidated balance sheets as of December 31, 2024. The deferred service fee balance accrues interest at 1% per annum. The interest incurred is recorded within 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. Effective January 1, 2024, Mesquite Sky entered into a settlement agreement with Siemens for liquidated damages under the service and warranty agreement totaling $5.9 million, received March 6, 2024, for the period from July 11, 2022 through July 10, 2023 and for anticipated damages for the period from January 1, 2024 through July 10, 2024. On September 18, 2024, Mesquite Sky received an additional $3.2 million for liquidated damages for the period from January 1, 2024 through July 10, 2024 under the service and warranty agreement. For the year ended December 31, 2024, Mesquite Sky received a total of \$9.1 million for liquidated damages. For the years ended December 31, 2023 and 2022, Mesquite Sky received settlements of \$552 thousand and zero, respectively, for liquidated damages under the service and warranty agreement. Liquidated damages were recorded as a reduction to property, plant and equipment, net on the consolidated balance sheets and to capital expenditures included within cash flows from investing activities.

In addition, effective February 13, 2024, Mesquite Sky entered into an agreement with Siemens related to the Wind Turbine Generator and Tower Supply and Commissioning Agreement, which resulted in Mesquite Sky no longer being obligated to pay a \$3.0 million construction payable that was included in accounts payable – trade as of December 31, 2023. The relief of liability was recorded as a reduction to property, plant and equipment, net on the consolidated balance sheets.

(d) Tax Abatement Agreement

Mesquite Sky is party to an amended Tax Abatement Agreement with Callahan County, Texas, in which Mesquite Sky 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, Mesquite Sky is obligated to make ten annual payments in lieu of taxes to Callahan 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, Mesquite Sky agreed to make improvements to the eligible property as defined in the agreement, which were completed as of COD. Mesquite Sky paid \$330 thousand for each of the years ended December 31, 2024, 2023, and 2022, which was included in cost of operations in the consolidated statements of operations.

Mesquite Star Special Agreements

(a) ISDA Master Agreement

Mesquite Star Special and a third party are parties to an ISDA 2002 Master Agreement, or Star Hedge Agreement, dated as of May 3, 2019, as amended. Under the Star Hedge Agreement, the Company is party to a 12-year agreement to sell power to a counterparty at a fixed price, which is utilized to manage the risk of fluctuations in market prices on sales of electricity. The energy-related commodity contract is accounted for as a derivative financial instrument as described in note 2(k) *Derivative Financial Instruments.* The Star 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.

Tracking Account

The energy-related commodity contract contains provisions that allow Mesquite Star Special to receive additional money from the counterparty when the price of electricity at the interconnection point of the Mesquite Star Special Facility is less than the price of electricity at the hub where Mesquite Star Special 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 Mesquite Star Special increase the tracking account liability owed by Mesquite Star Special up to the maximum liability of $10.5 million. When the calculated mismatch amount results in Mesquite Star Special making a payment to the hedge counterparty, the amount may reduce the tracking account balance but only until the tracking account balance is paid in full. The balance in the tracking account accrues interest at Adjusted Secured Overnight Financing Rate, or Adjusted SOFR, plus an adjustment of 0.26161% and an applicable margin of 2.5%. The interest incurred is recorded within interest expense in the consolidated statements of operations. Upon termination of the energy-related commodity contract on May 31, 2032, the tracking account balance will be settled between the Mesquite Star Special and the counterparty. If the tracking account balance is less than zero, then Mesquite Star Special shall pay the counterparty the absolute value of the tracking account balance. As of both December 31, 2024 and 2023, Mesquite Star Special had a tracking account liability balance of $10.5 million on the Company's consolidated balance sheets.

(b) Virtual Power Purchase Agreements

Mesquite Star Special is party to the following VPPAs, which provide for Mesquite Star Special to receive or pay consideration for the delivery of electricity to the interconnection point and to sell the associated 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, Mesquite Star Special has guaranteed certain availability that if not achieved could result in the payment of shortfall amounts. See note 2(j) *Revenue Recognition,* for information on payment of availability damages.

VPPA offtaker	Effective date	Contract capacity (MW)	COD	VPPA term [(a)]
Brown University [(b)]	1/30/2019	8	5/26/2020	15 years
Cisco Systems, Inc. [(b)]	2/15/2019	10	4/09/2020	12 years
Ecolab Inc. [(c)]	9/14/2018	100	4/09/2020	15 years
Intuit Inc. [(b)]	11/20/2018	10	4/09/2020	12 years
Lowe's Companies, Inc. [(b)]	4/27/2018	100	5/26/2020	12 years
		228		

(a) VPPA term commences first calendar day immediately following COD.

(b) Clearway Energy Operating LLC provided a guaranty of timely payment in full of all amounts due and payable or to become due and payable by Mesquite Star Special to the offtaker through the earlier of termination of contract and payment of all obligations, delivery of replacement guaranty or letter of credit, or end of the VPPA term. The guaranties are capped at a total amount of $5.6 million.

(c) Clearway Energy Operating LLC issued a letter of credit in favor of Ecolab Inc. for $7.5 million as of December 31, 2024 which expires on September 1, 2025. In addition, Clearway Energy Group provided a guaranty of timely payment of all amounts due and payable or to become due and payable by Mesquite Star Special to Ecolab Inc. through the earliest of the termination or expiration of the contract. This guaranty is capped at $6.6 million.

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

Mesquite Star Special is contracted with Siemens to provide certain warranty, maintenance, and repair services for the 118 wind turbines. Payment provisions provide for an annual service fee per turbine plus escalation paid in quarterly installments. On February 23, 2024, the agreement was amended to provide for adjustments to the annual service fee per turbine, availability thresholds, and annual limitations on availability liquidated damages. The term of the agreement expires on July 11, 2027, unless extended through December 31, 2032, or terminated early as provided for in the agreement. Total costs incurred under this agreement were $6.0 million and $2.0 million for the years ended December 31, 2024 and 2023, respectively. These costs are included in cost of operations in the consolidated statements of operations. Payment of the service fees and accrued interest of $6.0 million related to 2024 has been deferred until the Mesquite Star Special Facility reaches 95% availability for six consecutive months pursuant to the agreement described above, and is included in other non-current liabilities on the consolidated balance sheets as of December 31, 2024. The deferred service fee balance accrues interest at 1% per annum. The interest incurred is recorded within 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. Effective January 1, 2024, Mesquite Star Special entered into a settlement agreement with Siemens for liquidated damages under the service and warranty agreement totaling \$1.7 million, received on March 21, 2024, for the period from July 11, 2022 through July 10, 2023 and for anticipated damages for the period from January 1, 2024 through July 10, 2024. In September 2024, Mesquite Star Special accrued an additional \$899 thousand for liquidated damages for the period from July 11, 2023 through December 31, 2023 under the service and warranty agreement, included in accounts receivable – trade as of December 31, 2024. Mesquite Star Special recorded total liquidated damages of \$2.6 million as a reduction to property, plant, and equipment, net on the consolidated balance sheets as of December 31, 2024 and \$1.7 million to capital expenditures included within cash flows from investing activities.

In addition, effective September 27, 2023, Mesquite Star Special entered into a settlement agreement with Siemens for settlement of a dispute regarding the power curve guarantee provided for under a related turbine supply and commissioning agreement. Pursuant to the terms of the turbine supply and commissioning agreement, Siemens paid Mesquite Star Special \$7.3 million in liquidated damages, which was recorded as a reduction to property, plant, and equipment, net on the consolidated balance sheets as of December 31, 2023, and to capital expenditures included within cash flows from investing activities.

(d) Tax Abatement Agreements

Mesquite Star Special is party to ten-year property tax abatement agreements with Fisher County, Texas for a property tax limitation based on the certified appraised value of certain eligible property within Fisher County from January 1, 2020 through December 31, 2029. As consideration for the abatement under certain of the agreements, Mesquite Star Special made payments totaling \$4.9 million that are being amortized straight line over January 1, 2020 through December 31, 2029. Amortization is recorded as part of cost of operations in the consolidated statements of operations. As of both December 31, 2024 and 2023, \$486 thousand was recorded to prepayments and other current assets on the Company's consolidated balance sheets. As of December 31, 2024 and 2023, \$1.9 million and \$2.4 million, respectively, were recorded to other non-current assets on the Company's consolidated balance sheets. Mesquite Star Special is also obligated to make annual payments to Fisher County as defined in the remaining agreements beginning on January 1, 2020 through December 31, 2029, which are recorded as part of cost of operations in the consolidated statements of operations.

TSN1 and TSN2 Agreements

(a) Virtual Power Purchase Agreements

TSN1 and TSN2 are party to VPPAs which provide for the facilities to receive or pay consideration for the delivery of electricity and related environmental attributes to the interconnection point based on the difference between the fixed price per MWh specified in the VPPA 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. On an aggregate year-to-date basis, lost revenue attributable to negative floating prices is monitored. To the extent that year-to-date lost revenue exceeds the negative price lost revenue cap of $453 thousand for TSN1 and $357 thousand for TSN2, the buyer is obligated to make payment to TSN1 and TSN2. Under the terms of the VPPAs, TSN1 and TSN2 have guaranteed certain availability that if not achieved could result in the payment of shortfall amounts.

Facility	VPPA offtaker	Effective date	Contract capacity (MW)	COD	VPPA term [(a)]
TSN1	Verizon Communications Inc.	06/28/2023	142	12/01/2023	18 years
TSN2	Verizon Communications Inc.	06/28/2023	114	2/15/2024	18 years
			256		

[(a)] The TSN1 VPPA term commenced on January 1, 2024, and the TSN2 VPPA commenced on March 1, 2024, both of which are effective until the day prior to the 18th anniversary of COD.

(b) Balance of Plant Engineering, Procurement and Construction, or EPC, Agreements

TSN1 and TSN2 are party to fixed-price EPC agreements with M.A. Mortenson Company, or Mortenson, for the engineering, construction, and commissioning of their respective facilities. No costs were incurred by the Company in 2023 subsequent to the acquisition of TSN1. The Company incurred costs under the agreements of $1.4 million during the year ended December 31, 2024, all of which were capitalized and reflected in property, plant, and equipment, net on the Company's consolidated balance sheets. Amounts due to Mortenson of $100 thousand and $10.2 million are included in accounts payable – trade as of December 31, 2024 and 2023, respectively.

(c) Equipment Supply Agreements

Prior to the Company's acquisitions of TSN1 and TSN2, TSN1 and TSN2 purchased solar photovoltaic energy generating modules from Waaree Energies Limited, or Waaree. On December 23, 2023, TSN1 entered into a settlement agreement with Waaree to receive $4.5 million in liquidated damages for equipment not delivered pursuant to the terms of the equipment supply agreement. The amount is included within accounts receivable – trade on the Company's consolidated balance sheets as of December 31, 2023. The Company received $4.5 million in February 2024, which was reimbursed to Clearway Energy Group.

(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 the 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, 2024 and 2023 (in thousands):

	2024	2023
Cash	$ 2,933	$ 3,551
Restricted cash	7,592	33,683
Cash and restricted cash shown in the consolidated statements of cash flows	$ 10,525	$ 37,234

Restricted cash for 2024 primarily consists of funds held in reserves for performance obligations related to the completion of construction for the TSN2 Facility, and funds restricted for operating expenses at the Mesquite Star Special Facility. Restricted cash for 2023 primarily consisted of funds held in reserves for performance obligations related to the completion of construction for the TSN1 Facility and the Mesquite Sky Facility. During 2024, $12.7 million of the funds held in reserve with respect to the TSN1 Facility and the Mesquite Sky Facility were released and distributed to Clearway Renew. In addition, 2023 included funds received from Siemens in accordance with the settlement agreement described in Mesquite Star Special note 1(c), *Siemens Gamesa Renewable Energy, Inc. Service and Warranty Agreement.*

(c) Accounts Receivable – Trade

Trade accounts receivable are recorded at the invoiced amount and do not bear interest. The Company's energy revenue related customers typically receive invoices monthly with payment due within 30 days, and the Company receives payment for the sale of RECs quarterly, semi-annually or annually, as defined per contract. There was no allowance for credit losses as of December 31, 2024 and 2023.

(d) 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.

(e) 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, 2024, 2023 and 2022.

(f) Debt Issuance Costs

Debt issuance costs consist of legal fees and closing costs incurred by TSN1 and TSN2 in obtaining their financings. These costs are capitalized and amortized as interest expense using the effective interest method over the term of the related debt, 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 statements of operations, was $232 thousand for the year ended December 31, 2024. There was no amortization expense recorded for the years ended December 31, 2023 and 2022. In addition, the Company recorded a $489 thousand loss on extinguishment of debt associated with writing off a portion of the debt issuance costs for the year ended December 31, 2024.

(g) Intangible Assets

Intangible assets represents the fair value of software licenses acquired. The Company recognizes specifically identifiable intangible assets when specific rights and contracts are acquired. The assets are amortized on a straight-line basis over the estimated useful life of the software or seven years. See note 6, *Intangible Assets,* for additional information.

(h) 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 has elected to apply the practical expedient to not separate lease and non-lease components of the leases.

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 12, *Leases* for information on the Company's leases.

(i) 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 (characterized as an income tax for U.S. GAAP purposes) to which the Company's subsidiaries are subject. For the years ended December 31, 2024, 2023 and 2022, the Company had no current income tax expense and has calculated deferred income tax expense (benefit) of $1.0 million, $(1.7) million and $163 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, 2024, 2023, and 2022 by the Company.

(j) Revenue Recognition

Virtual Power Purchase Agreements

The Company accounts for energy revenue recognized under the VPPAs 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 unnecessary to allocate transaction price to multiple performance obligations. For the years ended December 31, 2024, 2023, and 2022, Mesquite Sky incurred $3.0 million, $295 thousand, and $1.5 million, respectively, in availability damages to the offtakers under the VPPAs. For the years ended December 31, 2024 and 2023, Mesquite Star Special incurred zero and $96 thousand, respectively, in availability damages to the offtakers under the VPPAs. Availability damages were recorded as a reduction to operating revenues in the consolidated statements of operations.

Merchant Revenue

The Company 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 facilities and simultaneously delivered to ERCOT.

Unbundled Renewable Energy Certificates/Credits, or RECs, Revenue

The Company has agreements with third parties for the sale of RECs from the Mesquite Sky Facility, the TSN1 Facility, and the TSN2 Facility, for RECs generated from 2022 through 2037. RECs are sold at a fixed price up to a stated contract quantity as defined in the agreement. Termination of the agreements may be allowed under specific circumstances, such as under an event of default. 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 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.

Contract Amortization

Included in other non-current assets on the consolidated balance sheets are capitalized costs to acquire the VPPAs at the Mesquite Sky Facility. 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 energy-related commodity contracts related to Mesquite Sky and Mesquite Star Special as derivative instruments in accordance with ASC 815, *Derivatives and Hedging,* or ASC 815, as described in note 2(k) below. As a result, the Company must mark the contracts to fair value each reporting period. The change in fair value of the energy-related commodity contracts is recorded to operating revenues. Also see note 4, *Accounting for Derivative Instruments and Hedging Activities* for further information on the energy-related commodity contracts.

Disaggregated Revenues

The following table summarizes the Company's disaggregation of revenue from contracts with customers for the years ended December 31, 2024, 2023, and 2022 (in thousands):

	2024	2023	2022
Energy revenues [(a) (b)]	$ 34,969	$ 4,038	$ (658)
REC revenues	1,275	1,075	1,364
Other revenues	(144)	(177)	(23)
Contract amortization	(154)	(154)	(154)
Mark-to-market for derivative instruments [(c)]	(19,706)	(6,217)	(34,425)
Total operating revenues	$ 16,240	$ (1,435)	$ (33,896)

[(a)] As of December 31, 2024 and 2023, $280 thousand and $391 thousand, respectively, is included in accounts payable - trade related to amounts due to the counterparties of the VPPAs and the qualified scheduling entity.

[(b)] Includes settlement fees of zero, $0.3 million and $3.1 million in 2024, 2023, and 2022, respectively, as described in note 1, *Mesquite Sky Agreements (a) ISDA Master Agreement.*

[(c)] Represents the losses from the change in fair value of the derivative instruments 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, 2024 and 2023 (in thousands):

	2024	2023
Accounts receivable - contracts with customers	$ 2,196	$ 848
Accounts receivable - derivative instruments	38	112
Accounts receivable - other [(a)]	3,632	8,762
Total accounts receivable - trade	$ 5,866	$ 9,722

[(a)] Amounts as of December 31, 2024 and 2023 include insurance claims, as described in note 5, *Property, Plant, and Equipment.* Amounts as of December 31, 2024 also include liquidated damages due from Siemens as described in note 1, *Mesquite Star Special Agreements (c) Siemens Gamesa Renewable Energy, Inc. Service and Warranty Agreement.* Amounts as of December 31, 2023 also include liquidated damages due from Waaree, as described in note 1, *TSN1 Agreements (d) Equipment Supply Agreement* *(a) Equipment Supply Agreement.*

(k) 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 long-term energy-related commodity contracts which are not designated as cash flow or fair value hedges. Settlements and changes in the fair value of the energy-related commodity contracts are recognized in operating revenues. The Company uses interest rate swaps to manage its interest rate exposure on long-term debt, which are not designated as cash flow hedges. Changes in the fair value of non-hedge derivatives are immediately recognized in earnings. Cash flows from derivatives not designated as cash flow hedges are classified as operating activities in the consolidated statements of cash flows. See note 4, *Accounting for Derivative Instruments and Hedging Activities*, for more information.

(l) Risks and Uncertainties

Financial instruments, which potentially subject the Company to concentrations of credit risk, consist primarily of accounts receivable – trade and derivative financial instruments. Accounts receivable are concentrated with commercial customers and a private university. 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 facilities 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, supply chain disruptions, hostile cyber intrusions, or other similar occurrences affecting a power generation facility or its energy purchasers.

Should a generation facility fail to perform at the required levels, or other unplanned disruptions occur, the facility may be forced to fulfill an underlying contractual obligation by purchasing electricity at higher prices. In addition, the Company's facilities may be exposed, based on specific contractual terms, to a locational basis risk resulting from a difference in the price received for generation sold at the location where the power is generated and the price paid for generation purchased at the contracted delivery point, which could lead to potential lower revenues in circumstances where the price received is lower than the price that is paid.

(m) *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, notes payable, notes payable – affiliate, 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 are classified as Level 1 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, 2024 and 2023 is as follows (in thousands):

	2024		2023	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Long-term debt, including current portion [a]	$ 176,418	$ 178,327	$ 101,696	$ 100,878

[a] Excludes net debt issuance costs, as shown in note 7, *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. As of December 31, 2024, the fair value is higher than the carrying amount due to lower current interest rates used for discounting future cash flows compared to the stated aggregate interest rates on the outstanding debt. As of December 31, 2023, the fair value is less than the carrying amount due to higher current interest rates used for discounting future cash flows compared to the stated aggregate interest rates on the outstanding debt.

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 uses readily observable inputs, such as forward interest rates and contractual terms to estimate fair value.

Derivative instruments, consisting of energy-related commodity contracts, 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 energy-related 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 interest rate swaps is calculated using the bilateral method based on published default probabilities. 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. For interest rate swaps and commodities, 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, 2024, the non-performance reserve was a $10.1 million gain recorded primarily to total operating revenues in the consolidated statements of operations. For further discussion, see note 4, *Accounting for Derivative Instruments and Hedging Activities.*

(n) 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.

(o) 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 9, *Asset Retirement Obligations*, for further information.

(p) 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. In addition, in certain circumstances, the Company and its partners in the tax equity arrangements agree that certain tax benefits are to be utilized outside of the tax equity arrangements, which may result in differences in the amount an investor would hypothetically receive at the initial balance sheet date calculated strictly in accordance with related contractual agreements. These differences are recognized in the consolidated statements of operations using a systematic and rational method over the period during which the investor is expected to achieve its target return.

(q) Comprehensive Loss

The Company's total comprehensive loss is equal to its net loss for the years ended December 31, 2024, 2023, and 2022.

(r) 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 energy-related commodity contract derivatives. Actual results may differ from those estimates.

(3) Acquisitions

Texas Solar Nova 2

On March 15, 2024, the Company, through its indirect subsidiary TSN1 TE Holdco, acquired TSN2 from Clearway Renew. TSN1 TE Holdco's purchase price consisted of $111.9 million paid to the seller, $16.7 million of which was contributed by Lighthouse Renewable Class A LLC and $95.2 million was contributed by HASI. In addition, the Company reflected contributions made by Clearway Renew, to fund construction reserves of $16.9 million and to fund transaction related expenses of $6.4 million, as cash contributions in the consolidated statements of equity.

The Company, through its indirect ownership of TSN1 Class B, is the primary beneficiary and consolidates its interests in the tax equity fund, TSN1 TE Holdco, that holds the TSN2 Facility, as further described in note 10, *Variable Interest Entities*. The acquisition was determined to be an asset acquisition and the Company consolidates TSN2 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 purchase price paid by Lighthouse Renewable Class A and the historical cost of the Company's net assets acquired of $71.9 million was recorded as an adjustment to contributed capital on the Company's consolidated statements of equity.

The following is a summary of assets and liabilities transferred in connection with the acquisition as of March 15, 2024 (in thousands):

		2024
Assets:		
Cash	$	499
Property, plant, and equipment, net		279,879
Right-of-use assets, net		21,025
Derivative assets		6,487
Other current and non-current assets		3,825
Total assets acquired		311,715
Liabilities:		
Long-term debt [a]		194,451
Long-term lease liabilities		19,213
Other current and non-current liabilities		26,166
Total liabilities assumed		239,830
Net assets acquired	$	71,885

[a] Includes an $80.4 million term loan and a $115.0 million tax equity bridge loan, offset by $1.0 million in unamortized debt issuance costs. See note 7, *Long-term Debt*, for further discussion of the long-term debt assumed in the acquisition.

Texas Solar Nova 1

On December 28, 2023, the Company acquired TSN1 BL Borrower Holdco LLC, or TSN1 BL Borrower, the indirect owner of TSN1, from Clearway Renew. The Company's members each contributed their portion of the purchase price for their respective interest in TSN1 BL Borrower. Lighthouse Renewable Class A LLC contributed cash consideration of $22.8 million and HASI contributed cash consideration of $108.7 million. In addition, the Company reflected contributions made by Clearway Renew to fund construction reserves of $18.3 million, and $22.8 million contributed back to the Company by Lighthouse Renewable Class A LLC and utilized to repay long-term debt, as cash contributions in the consolidated statements of equity.

TSN1 BL Borrower, through its wholly-owned subsidiary, TSN1 Class B, is the primary beneficiary and consolidates its interests in the tax equity fund, TSN1 TE Holdco, that holds the TSN1 Facility, as further described in note 10, *Variable Interest Entities*. The acquisition was determined to be an asset acquisition and the Company consolidates TSN1 BL Borrower 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 sum of the purchase price paid by Lighthouse Renewable Class A and the historical cost of the Company's net liabilities assumed of $5.9 million was recorded as an adjustment to contributed capital on the Company's consolidated statements of equity.

The following is a summary of assets and liabilities transferred in connection with the acquisition as of December 28, 2023 (in thousands):

		2023
Assets:		
Cash	$	2,785
Property, plant, and equipment, net		361,650
Right-of-use assets, net		20,892
Derivative assets		4,405
Other current and non-current assets		6,299
Total assets acquired		396,031
Liabilities:		
Long-term debt [(a)]		348,919
Long-term lease liabilities		18,535
Other current and non-current liabilities		34,482
Total liabilities assumed		401,936
Net liabilities assumed	$	(5,905)

(a) Includes a $90.0 million construction loan, $109.1 million cash equity bridge loan and a $150.6 million tax equity bridge loan, offset by $0.8 million in unamortized debt issuance costs. See note 7, *Long-term Debt*, for further discussion of the long-term debt assumed in the acquisition.

Mesquite Sky

On March 18, 2022, the Company acquired 100% of the Class A interests of Mesquite Sky Holding owned by Apex Clean Energy Holdings, LLC for $12.1 million. Effective with the acquisition, the Company owns 100% of Mesquite Sky Holding, the indirect owner of Mesquite Sky. The Company also paid $10.9 million to Clearway Renew in 2022 as an additional purchase price related to the 2021 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.

(4) Accounting for Derivative Instruments and Hedging Activities

(a) Interest Rate Swaps

The Company has entered into interest rate swaps, intended to hedge the risks associated with floating rate debt, as described in note 7, *Long-Term Debt*. Effective March 29, 2024, the interest rate swaps were revised and restated. The Company pays its counterparties the equivalent of a fixed interest payment, ranging from 2.8690% to 2.9163% on a predetermined notional amount, and quarterly, the Company receives the equivalent of a floating interest payment based on Daily Simple Secured Overnight Financing Rate, or Daily Simple SOFR, calculated on the same notional amount. The interest rate swap agreements amortize through September 30, 2043, subject to a mandatory early termination date of March 15, 2029.

On March 15, 2024, in connection with the amendment to the Company's financing agreement to merge the term loans of TSN1 and TSN2 into a combined term loan under the Company, the interest swaps were novated effective as of the end of December 2023. From the end of December 2023 to March 28, 2024, the interest rate swap agreements entitled the Company to receive a floating rate based on Daily Simple SOFR and pay a fixed rate of 2.898%. Prior to that, the Company had interest rate swap agreements that became effective on October 24, 2022 and amortized through June 30, 2043. The interest rate swap agreements entitled the Company to receive a floating rate based on Term Secured Overnight Financing Rate, or Term SOFR, and pay a fixed rate of 2.922%.

(b) Energy-Related Commodity Contracts

Effective November 27, 2019, Mesquite Sky executed a 12-year agreement to sell power to a counterparty at a fixed price, which commenced on October 1, 2021. The energy-related commodity contract is intended to economically hedge Mesquite Sky Facility's forecasted output through September 30, 2033.

Effective May 3, 2019, Mesquite Star Special executed a 12-year agreement to sell power to a counterparty at a fixed price, which commenced on June 1, 2020. The energy-related commodity contract is intended to economically hedge Mesquite Star Special Facility's forecasted output through May 31, 2032.

(c) Volumetric Underlying Derivative Transactions

The following table summarizes the net notional volume buy/(sell) of the Company's open derivative transactions broken out by commodity as of December 31, 2024 and 2023:

		Total Volume (in thousands)	
Commodity	**Units**	**2024**	**2023**
Power	MWh	(7,185)	(8,079)
Interest	Dollars	$ 168,667	$ 95,686

(d) *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, 2024 and 2023 (in thousands):

		2024		2023
Derivatives not designated as cash flow hedges:				
Derivative assets:				
Interest rate contracts current	$	2,000	$	1,644
Interest rate contracts long-term		14,016		2,761
Total derivative assets	$	16,016	$	4,405
Derivative liabilities:				
Energy-related commodity contracts current	$	25,232	$	23,958
Energy-related commodity contracts long-term		160,632		142,200
Total derivative liabilities	$	185,864	$	166,158

(e) *Derivative Fair Value Measurements*

The following table reconciles the beginning and ending balance of the energy-related commodity contracts that are recognized at fair value on the Company's consolidated balance sheets using significant unobservable inputs (Level 3) for the years ended December 31, 2024, 2023, and 2022 (in thousands):

		2024		2023		2022
Beginning balance	$	(166,158)	$	(76,657)	$	(42,232)
Settlements		10,940		13,854		17,004
Total losses for the period included in earnings		(30,646)		(20,071)		(51,429)
Transfer from affiliate		—		(83,284)		—
Ending balance	$	(185,864)	$	(166,158)	$	(76,657)
Change in unrealized losses included in operating revenues for derivatives held as of December 31,	$	(30,646)	$	(20,071)	$	(51,429)

The following tables quantify the significant unobservable inputs used in developing the fair value of the Company's Level 3 energy-related commodity contracts as of December 31, 2024 and 2023:

December 31, 2024

Fair Value				Input/Range		
Assets (in thousands)	Liabilities (in thousands)	Valuation technique	Significant unobservable input	Low	High	Weighted average
$ —	$ (185,864)	Discounted cash flow	Forward market price (per MWh)	$ 21.60	$ 78.32	$ 42.74

December 31, 2023

Fair Value				Input/Range		
Assets (in thousands)	Liabilities (in thousands)	Valuation technique	Significant unobservable input	Low	High	Weighted average
$ —	$ (166,158)	Discounted cash flow	Forward market price (per MWh)	$ 18.18	$ 81.62	$ 38.15

The following table provides the impact on the fair value measurements to increases/(decreases) in significant unobservable inputs as of December 31, 2024:

Type	Significant observable input	Position	Change in input	Impact of fair value measurement
Energy-related commodity contracts	Forward market price power	Sell	Increase/(Decrease)	Lower/(Higher)

(f) Impact of Interest Rate Swaps on the Consolidated Statements of Operations

Mark-to-market gains and losses related to the Company's interest rate swaps are recorded to interest expense. For the year ended December 31, 2024, the impact to the consolidated statements of operations was gains of $5.1 million. There was no impact to the consolidated statements of operations during 2023 and 2022.

(5) Property, Plant, and Equipment

The Company's major classes of property, plant, and equipment as of December 31, 2024 and 2023 were as follows (in thousands):

		2024		2023	Depreciable lives
Plant equipment	$	1,369,834	$	1,159,379	10 - 35 years
Buildings		8,705		5,308	30 years
Land improvements		80,193		25,800	20 - 25 years
Total property, plant, and equipment		1,458,732		1,190,487	
Less accumulated depreciation		(162,582)		(104,756)	
Net property, plant, and equipment	$	1,296,150	$	1,085,731	

As discussed in note 1, *Nature of Business,* Mesquite Sky recorded liquidated damages of $9.1 million and Mesquite Star recorded liquidated damages of $2.6 million, both of which were reflected as a reduction to property, plant, and equipment, net on the consolidated balance sheets as of December 31, 2024, pursuant to their respective service and warranty agreements with Siemens.

As discussed in note 1, *Nature of Business*, Mesquite Sky recorded the cancellation of a construction payable of $3.0 million as a reduction to property, plant, and equipment, net on the consolidated balance sheets as of December 31, 2024, pursuant to an agreement with Siemens under the wind turbine generator and tower supply and commissioning agreement.

As discussed in note 1, *Nature of Business,* Mesquite Star Special recorded liquidated damages of $7.3 million as a reduction to property, plant, and equipment, net on the consolidated balance sheets as of December 31, 2023, pursuant to a settlement agreement with Siemens under the turbine supply and commissioning agreement.

In October 2023, the Company retired one wind turbine at the Mesquite Star Special Facility that was determined to be irreparably damaged by a fire that occurred in March 2023 and recorded a loss on disposal of assets of $2.4 million. In December 2023, the Company recognized insurance claims of $4.3 million, which were recorded as an offsetting gain on disposal of assets and included in cost of operations in the consolidated statements of operations. As of December 31, 2024 and 2023, $2.7 million and $4.3 million of insurance claims were included in accounts receivable – trade on the consolidated balance sheets. The Company received $1.6 million during 2024 and $2.2 million during the first quarter of 2025.

(6) Intangible Assets

As of December 31, 2024 and 2023, the intangible assets subject to amortization consist of the following (in thousands):

	2024	2023
Software licenses	$ 2,275	$ 1,266
Less accumulated amortization	(407)	—
Net intangible assets	$ 1,868	$ 1,266

Aggregate amortization expense was $407 thousand for the year ended December 31, 2024, which was recorded to depreciation, amortization and accretion in the consolidated statements of operations. There was no amortization expense recorded for the years ended December 31, 2023 and 2022. Estimated amortization expense for each of the next five years is $325 thousand.

(7) Long-Term Debt

On December 28, 2023, as part of the acquisition of TSN1, as further described in note 3, *Acquisitions,* the Company assumed the facility's financing agreement which included a $90.0 million construction loan, a $109.1 million cash equity bridge loan, and a $150.6 million tax equity bridge loan, offset by $810 thousand in unamortized debt issuance costs. At the acquisition date, the tax equity investor contributed $148.2 million, which was utilized, along with $22.8 million that was contributed back to the Company by Lighthouse Renewable Class A LLC, and the $108.7 million proceeds from the cash equity investor, to repay the cash equity bridge loan and the tax equity bridge loan, and to pay associated fees. Also at acquisition date, the construction loan was converted into a non-recourse term loan in the amount of $101.7 million, which includes an additional borrowing of $11.7 million. The final maturity date of the term loan was scheduled for December 28, 2028.

On March 15, 2024, as part of the acquisition of TSN2, as further described in note 3, *Acquisitions,* the Company assumed the facility's financing agreement which included an $80.4 million term loan and a $115.0 million tax equity bridge loan, offset by $1.0 million in unamortized debt issuance costs. At the acquisition date, the tax equity investor contributed $130.3 million, which was utilized, along with $23.3 million contributed by Clearway Energy Group, to repay the tax equity bridge loan and to pay associated fees.

Additionally on March 15, 2024, the Company's TSN1 financing agreement was amended and restated to merge the TSN1 and TSN2 term loans into a combined term loan under its subsidiary, TSN1 Class B, or the TSN1 Class B Financing Agreement, to extend the maturity date to March 15, 2029, and to increase the letter of credit facility by $35.6 million. The term loan bears interest at a rate of Daily Simple SOFR plus an applicable margin, which is 1.75% per annum until March 15, 2027, and 1.875% per annum thereafter through the term loan maturity date. Prior to the amendment, the term loan interest rate was Term SOFR plus an applicable margin of 1.75%.

The TSN1 Class B Financing Agreement also provides for a letter of credit facility of up to $91.0 million, consisting of $25.6 million to support power purchase agreements, $11.4 million to support debt service requirements, $7.1 million to support REC agreements, and $46.9 million to support interconnection obligations. The Company pays on a quarterly basis a letter of credit fee of 1.375% to 1.75% per annum on issued amounts under the letter of credit facility, a portion of which escalates by 0.125% on March 15, 2027. In addition, the Company pays quarterly commitment fees on any of the unused portions of the letter of credit commitments equal to 0.375% per annum. As of December 31, 2024, the amount of outstanding letters of credit totaled $52.1 million, of which $25.6 million supports the VPPAs, $7.5 million supports debt service requirements, $7.1 million supports REC agreements, and $11.9 million supports interconnection obligations.

The Company entered into interest rate swap agreements to hedge the majority of the variable interest rate exposure under the term loan. For further details regarding the interest rate swap agreements, see note 4, *Accounting for Derivative Instruments and Hedging Activities.*

As of December 31, 2024 and 2023, long-term debt consists of the following (in thousands):

		2024		2023
Total long-term debt (including current maturities)	$	176,418	$	101,696
Less current maturities		(6,960)		(2,296)
Less debt issuance costs, net		(1,052)		(810)
Long-term debt	$	168,406	$	98,590

The indebtedness referenced in the aforementioned table is secured by the Company's interests in the TSN1 and TSN2 Facilities. The TSN1 Class B Financing Agreement contains certain covenants, including financial covenants related to permitted distributions, that the Company is required to be in compliance with during the term of the agreement. As of December 31, 2024, the Company was in compliance with the various covenants defined in the agreement.

Annual payments based on the maturities of the Company's debt as of December 31, 2024 are summarized as follows (in thousands):

Year ending December 31:		
2025	$	6,960
2026		7,837
2027		9,427
2028		9,840
2029		142,354
	$	176,418

(8) Notes Payable

Intercompany demand promissory notes issued by HASI are recorded as notes payable and intercompany demand promissory notes issued by Lighthouse Renewable Class A are recorded as notes payable – affiliate on the consolidated balance sheets. The notes can be repaid in whole or in part at any time and bear interest at 5.75% per annum, compounded quarterly. Interest is payable quarterly or at such other times as may be agreed upon by payor and payee.

Effective August 31, 2023, pursuant to the terms of the Lighthouse Assignment and Assumption Agreement, the Company acquired and assumed from Lighthouse Renewable Holdco LLC, a separate partnership amongst the same members as the Company and another consolidated subsidiary of Lighthouse Renewable Class A, all of Lighthouse Renewable Holdco LLC's rights, including any accrued and unpaid interest, and obligations in its capacity as payor under intercompany demand promissory notes, referred to as member loans. The member loans transferred to the Company, relating to the Mesquite Star Special Facility, consisted of principal and accrued interest of $8.6 million payable to HASI and $9.0 million payable to Lighthouse Renewable Class A. In connection with the transfer of the member loans, pursuant to a Lighthouse Members Assignment and Assumption Agreement, 75% of the member loans payable to Lighthouse Renewable Class A were assigned to HASI, in the amount of $6.7 million.

During 2023, pursuant to permitted working capital loans under the LLCA, member loans were issued of $2.9 million from HASI and $2.9 million from Lighthouse Renewable Class A in support of the Mesquite Sky Facility. During 2024, additional member loans were issued of $2.0 million from HASI and $2.0 million from Lighthouse Renewable Class A in support of the Mesquite Sky Facility.

In January 2025, pursuant to permitted working capital loans under the LLCA, member loans were issued of $1.1 million from HASI and $1.1 million from Lighthouse Renewable Class A in support of the TSN1 and TSN2 Facilities. The loans and accrued interest were repaid in February 2025.

(9) 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 years ended December 31, 2024 and 2023 (in thousands):

Balance as of December 31, 2022	$	1,022
Liabilities transferred from affiliate		4,916
Acquired liabilities		12,530
Accretion expense		182
Balance as of December 31, 2023		18,650
Acquired liabilities		10,160
Accretion expense		1,489
Balance as of December 31, 2024	$	30,299

(10) Variable Interest Entities, or VIEs

The Company has a controlling financial interest in certain entities which have been identified as VIEs under ASC 810, *Consolidations.* These arrangements are related to tax equity arrangements entered into with third parties in order to monetize certain tax credits associated with wind and solar facilities. Under the Company's arrangements that have been identified as VIEs, the third-party investors are allocated earnings, tax attributes, and distributable cash in accordance with the respective limited liability company agreements. Many of these arrangements also provide a mechanism to facilitate achievement of the investor's specified return by providing incremental cash distributions to the investor at a specified date if the specified return has not yet been achieved. The Company indirectly holds the Class B membership interests in several tax equity funds, which include Mesquite Sky TE Holdco, Mesquite Star TE Holdco and TSN1 TE Holdco. The Company consolidates these tax equity funds and is the primary beneficiary through its role as managing member.

The following is a summary of significant activity during 2024, 2023, and 2022 related to the Company's consolidated VIEs:

Mesquite Star TE Holdco

As described in note 1, *Mesquite Star Special LLC*, on August 31, 2023, the Company was transferred the ownership interest in Mesquite Star Class B, the owner of the Class B membership interests of Mesquite Star TE Holdco, a tax equity fund that owns the Mesquite Star Special Facility. The Company, through its ownership of Mesquite Star Class B, consolidates Mesquite Star TE Holdco, which is a VIE, as it is the primary beneficiary through its role as the managing member. The Class A membership interests in Mesquite Star TE Holdco are held by a tax equity investor, MidAmerican, and are reflected as noncontrolling interest on the Company's consolidated balance sheets.

TSN1 TE Holdco

As described in note 3, *Acquisitions*, on December 28, 2023, the Company acquired TSN1 BL Borrower, the indirect owner of the Class B membership interests of TSN1 TE Holdco, a tax equity fund that owns the TSN1 Facility. Also as described in note 3, *Acquisitions*, on March 15, 2024, the TSN2 Facility was acquired by TSN1 TE Holdco. The Company, through its ownership of TSN1 BL Borrower, consolidates TSN1 TE Holdco, which is a VIE, as it is the primary beneficiary through its role as the managing member. The Class A membership interests in TSN1 TE Holdco are held by a tax equity investor, JPMorgan Chase, and are reflected as noncontrolling interest on the Company's consolidated balance sheets.

Summarized financial information for the Company's consolidated VIEs as of December 31, 2024 consisted of the following (in thousands):

	Mesquite Sky TE Holdco	Mesquite Star TE Holdco	TSN1 TE Holdco
Other current and non-current assets	$ 36,967	$ 39,000	$ 51,741
Property, plant, and equipment, net	315,645	358,111	622,393
Intangible assets, net	—	—	1,868
Total assets	352,612	397,111	676,002
Current liabilities	27,936	24,628	5,455
Non-current liabilities	136,789	131,214	61,345
Total liabilities	164,725	155,842	66,800
Net assets	$ 187,887	$ 241,269	$ 609,202

Summarized financial information for the Company's consolidated VIEs as of December 31, 2023 consisted of the following (in thousands):

	Mesquite Sky TE Holdco	Mesquite Star TE Holdco	TSN1 TE Holdco
Other current and non-current assets	$ 44,411	$ 44,936	$ 44,841
Property, plant, and equipment, net	344,521	379,560	361,650
Intangible assets	—	—	1,266
Total assets	388,932	424,496	407,757
Current liabilities	29,215	28,069	15,534
Non-current liabilities	118,684	119,852	31,013
Total liabilities	147,899	147,921	46,547
Net assets	$ 241,033	$ 276,575	$ 361,210

(11) Related Party Transactions

The Company has the following related party transactions and relationships, in addition to intercompany demand promissory notes described in note 8, *Notes Payable*. 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, as amended, 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 years ended December 31, 2024, 2023, and 2022, The Company incurred costs of approximately \$169 thousand, \$98 thousand and \$114 thousand, respectively, under this agreement. These costs are included in cost of operations in the consolidated statements of operations.

Operation & Maintenance Agreements

Clearway Renewable Operation & Maintenance LLC, or RENOM, a subsidiary of Clearway Energy Group, provides operation and maintenance services to the facilities for the balance of plants not covered by maintenance and service agreements with third parties, pursuant to Operation and Maintenance Agreements, or O&M Agreements. The O&M agreements have an initial term expiring on May 17, 2029 for Mesquite Star Special, December 17, 2031 for Mesquite Sky, and October 24, 2032 for TSN1 and TSN2, with provisions for automatic five-year extensions until terminated. The O&M Agreements allow for reimbursement of mobilization expenses, commissioning and start-up expenses, and direct operating and capital improvement expenses, including a five percent markup. Additionally, there is an annual profit fee, subject to performance factors and annual escalation. On October 23, 2023, the Mesquite Sky and Mesquite Star Special O&M Agreements were amended and restated in their entirety, effectively retroactive to July 11, 2022. The amended and restated agreements provide for a downward adjustment to their annual profit fee per turbine. For the years ended December 31, 2024, 2023, and 2022, the Company incurred costs of approximately \$5.1 million, \$0.9 million and \$1.6 million, respectively, under these agreements. These costs are included in cost of operations in the consolidated statements of operations.

Project Administration Agreements

Clearway Asset Services LLC provides administration services to the facilities pursuant to Project Administration Agreements. The agreements have an initial term of ten years commencing on May 7, 2019 for Mesquite Star Special, December 30, 2020 for Mesquite Sky, and March 15, 2024, per an amendment, for TSN1 and TSN2, with provisions for extension until terminated. The agreements provide for the payment of fixed fees that escalate annually, as defined in the agreements, and for the reimbursement of reasonable expenses incurred in connection with its services. For the years ended December 31, 2024, 2023, and 2022, the Company incurred costs of approximately \$1.0 million, \$422 thousand and \$324 thousand, respectively, under these agreements. These costs are included in cost of operations in the consolidated statements of operations.

(12) Leases

The facilities owned by the Company entered into various land lease and easement agreements. The terms and conditions for these leases vary by the type of underlying asset. Lease costs are included in cost of operations in the consolidated statements of operations. During 2024, the Company acquired TSN2 which increased right-of-use assets by \$21.0 million and total lease liabilities by \$19.2 million, as compared to 2023. During 2022, Mesquite Sky 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 years ended December 31, 2024, 2023, and 2022 was comprised of the following (in thousands):

	2024	2023	2022
Operating lease cost - Fixed	$ 5,895	$ 2,483	$ 1,797
Operating lease cost - Variable	342	610	343
Total lease cost	$ 6,237	$ 3,093	$ 2,140

Operating lease information as of December 31, 2024 and 2023 was as follows (in thousands, except term and rate):

	2024	2023
Right-of-use assets - operating leases, net	$ 102,010	$ 82,921
Short-term lease liability - operating leases	$ 698	$ 524
Long-term lease liability - operating leases	103,772	85,361
Total lease liabilities	$ 104,470	$ 85,885
Weighted average remaining lease term	30 years	30 years
Weighted average discount rate	4.01 %	3.97 %

	Year ended December 31, 2024	2023	2022
Cash paid for operating leases	$ 4,496	$ 2,118	$ 1,360

Minimum future rental payments of operating lease liabilities as of December 31, 2024 are as follows (in thousands):

2025	$ 3,038
2026	3,092
2027	3,262
2028	3,262
2029	3,262
Thereafter	100,214
Total lease payments	116,130
Less imputed interest	(11,660)
Total lease liability - operating leases	$ 104,470

(13) Subsequent Events

On January 31, 2025, the Company's indirect subsidiary, TSN1 TE Holdco, received $12.4 million in deferred contributions from its tax equity investor, JPMorgan Chase, in accordance with the provisions of the Second Amended and Restated Operating Agreement.

The Company has evaluated subsequent events from the balance sheet date through March 27, 2025, the date at which the consolidated financial statements were available to be issued, and determined that there are no other items to disclose other than the events described elsewhere in the notes to consolidated financial statements.

DAGGETT RENEWABLE HOLDCO LLC AND SUBSIDIARIES

Consolidated Financial Statements

December 31, 2023

(With Report of Independent Auditors)

DAGGETT RENEWABLE HOLDCO LLC AND SUBSIDIARIES

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Report of Independent Auditors

The Members
Daggett Renewable Holdco LLC

Opinion

We have audited the consolidated financial statements of Daggett Renewable Holdco LLC and subsidiaries (the Company), which comprise the consolidated balance sheet as of December 31, 2023, and the related consolidated statements of operations, equity and cash flows for the period from February 17, 2023 through December 31, 2023, 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, 2023, and the results of its operations and its cash flows for the period from February 17, 2023 through December 17, 2023 in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit 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 audit. 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 28, 2024

DAGGETT RENEWABLE HOLDCO LLC AND SUBSIDIARIES

Consolidated Balance Sheet

December 31, 2023

(In thousands)

Assets		**2023**
Current assets:		
Cash	$	3,641
Restricted cash		18,675
Accounts receivable – trade		5,837
Accounts receivable – affiliate		42
Derivative instruments		5,047
Prepayments and other current assets		1,848
Total current assets		35,090
Property, plant, and equipment, net		587,625
Other assets:		
Right-of-use assets, net		30,661
Derivative instruments		23,060
Other non-current assets		142
Total other assets		53,863
Total assets	$	676,578
Liabilities and Equity		
Current liabilities:		
Current maturities of long-term debt	$	396
Accounts payable – trade		9,400
Accounts payable – affiliate		440
Accrued liabilities		90
Lease liabilities		(298)
Total current liabilities		10,028
Other liabilities:		
Long-term debt		214,198
Asset retirement obligations		4,267
Long-term lease liabilities		33,525
Total other liabilities		251,990
Total liabilities		262,018
Commitments and contingencies		
Equity:		
Members' equity		272,280
Noncontrolling interest		142,280
Total equity		414,560
Total liabilities and equity	$	676,578

See accompanying notes to consolidated financial statements.

DAGGETT RENEWABLE HOLDCO LLC AND SUBSIDIARIES

Consolidated Statement of Operations

Period from February 17, 2023 through December 31, 2023

(In thousands)

		2023
Operating revenues:		
Total operating revenues	$	13,205
Operating costs and expenses:		
Cost of operations		4,067
Depreciation and accretion		6,310
Total operating costs and expenses		10,377
Operating income		2,828
Other income (expense):		
Interest income		2,198
Loss on debt extinguishment		(2,667)
Interest expense		(4,532)
Total other expense		(5,001)
Net loss		(2,173)
Less: net loss attributable to noncontrolling interest		(159,457)
Net income attributable to Daggett Renewable Holdco LLC and subsidiaries	$	157,284

See accompanying notes to consolidated financial statements.

DAGGETT RENEWABLE HOLDCO LLC AND SUBSIDIARIES

Consolidated Statement of Equity

Period from February 17, 2023 through December 31, 2023

(In thousands)

	Daggett Solar Investment LLC Contributed capital	HA Lighthouse LLC Contributed capital	Retained earnings	Noncontrolling interest	Total equity
Balance at February 17, 2023	$ —	$ —	$ —	$ —	$ —
Net income (loss)	—	—	157,284	(159,457)	(2,173)
Acquisition of Daggett Solar Power 3 LLC	14,219	—	—	—	14,219
Cash contributions	149,895	129,378	—	314,890	594,163
Cash distributions	(178,186)	—	—	—	(178,186)
Non-cash distributions	(310)	—	—	—	(310)
Payment of transaction costs	—	—	—	(13,153)	(13,153)
Balance at December 31, 2023	$ (14,382)	$ 129,378	$ 157,284	$ 142,280	$ 414,560

See accompanying notes to consolidated financial statements.

DAGGETT RENEWABLE HOLDCO LLC AND SUBSIDIARIES

Consolidated Statement of Cash Flows

Period from February 17, 2023 through December 31, 2023

(In thousands)

		2023
Cash flows from operating activities:		
Net loss	$	(2,173)
Adjustments to reconcile net loss to net cash used by operating activities:		
Depreciation and accretion		6,310
Amortization of debt issuance costs		216
Loss on debt extinguishment		2,667
Reduction in carrying amount of right-of-use assets		589
Changes in derivative instruments		(1,363)
Cash (used) provided by changes in other working capital:		
Accounts receivable – trade		(5,837)
Accounts receivable – affiliate		(42)
Prepayments and other current assets		(2,014)
Other non-current assets		(142)
Accounts payable – trade		1,438
Accounts payable – affiliate		(96)
Accrued liabilities		90
Accrued interest expense		(137)
Operating lease liabilities		125
Net cash used by operating activities		(369)
Cash flows from investing activities:		
Capital expenditures		(116,165)
Acquisition of Daggett Solar Power 3 LLC		3,747
Net cash used by investing activities		(112,418)
Cash flows from financing activities:		
Proceeds from issuance of long-term debt		36,126
Payments for long-term debt		(303,847)
Contributions from members		279,273
Contributions from noncontrolling interests		314,890
Distributions to members		(178,186)
Payment of transaction costs		(13,153)
Net cash provided by financing activities		135,103
Net increase in cash and restricted cash		22,316
Cash and restricted cash at beginning of period		—
Cash and restricted cash at end of period	$	22,316
Supplemental disclosures:		
Interest paid, net of amount capitalized	$	6,718
Non-cash investing activities:		
Reductions to fixed assets for revised capitalized asset retirement costs		(14)
Increase to fixed assets for capitalized debt issuance costs		547
Increase to fixed assets for transfer of prepaid insurance		196

See accompanying notes to consolidated financial statements.

(1) Nature of Business

Daggett Renewable Holdco LLC, or Daggett Renewable Holdco, and subsidiaries, or the Company, a Delaware limited liability company, was formed on October 26, 2021 and is a partnership between Daggett Solar Investment LLC, a subsidiary of Clearway Energy Operating LLC, HA Lighthouse LLC, or HASI, a cash equity 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 Daggett Renewable Holdco are not participating interests and provide for the potential future allocation of cash in the event of excess returns on the investment by HASI. From October 26, 2021 through February 16, 2023, Daggett Renewable Holdco had no activity. On February 17, 2023, through its consolidated subsidiaries (shown in the diagram below), Daggett Renewable Holdco acquired Daggett Solar Power 3, LLC, or Daggett Solar Power 3, a 300-megawatt, or MW, solar photovoltaic power generating facility that is paired with 149 MW of energy storage and located in San Bernardino, California, collectively referred to as the Facility. See note 3, *Acquisition*, for further information about the acquisition.

Also on February 17, 2023, Daggett Solar Investment LLC acquired the Class A membership interests in Daggett TargetCo LLC, or Daggett TargetCo, for cash consideration of $20.5 million and HASI acquired the Class B membership interests in Daggett TargetCo for cash consideration of $129.4 million from Clearway Renew. Daggett Solar Investment LLC and HASI then contributed their Class A and B membership interests, respectively, into Daggett Renewable Holdco, that consolidates Daggett TargetCo. Daggett TargetCo consolidates, through its wholly-owned subsidiary Daggett Class B LLC, or Daggett Class B, as primary beneficiary, Daggett TE Holdco LLC, or Daggett TE Holdco, a tax equity fund that indirectly owns Daggett Solar Power 3, as further described in note 8, *Variable Interest Entities*.

Daggett TE Holdco is a tax equity arrangement between Daggett Class B and a tax equity investor, JPM Capital Corporation, or JPM Capital. Concurrently with the acquisition on February 17, 2023, in accordance with the Equity Capital Contribution Agreement, or ECCA, between the members, JPM Capital made its initial tax equity contribution of $62.4 million, distributed and held in an escrow account by Daggett Class B, and acquired the Class A membership interests in Daggett TE Holdco, whereas Daggett Class B retained the Class B membership interests. On December 1, 2023, JPM Capital made an additional contribution of $252.5 million upon the Facility reaching substantial completion. Tax equity proceeds were used for the repayment of the debt acquired in the acquisition and transaction expenses as described further in note 6, *Long-Term Debt.*

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.

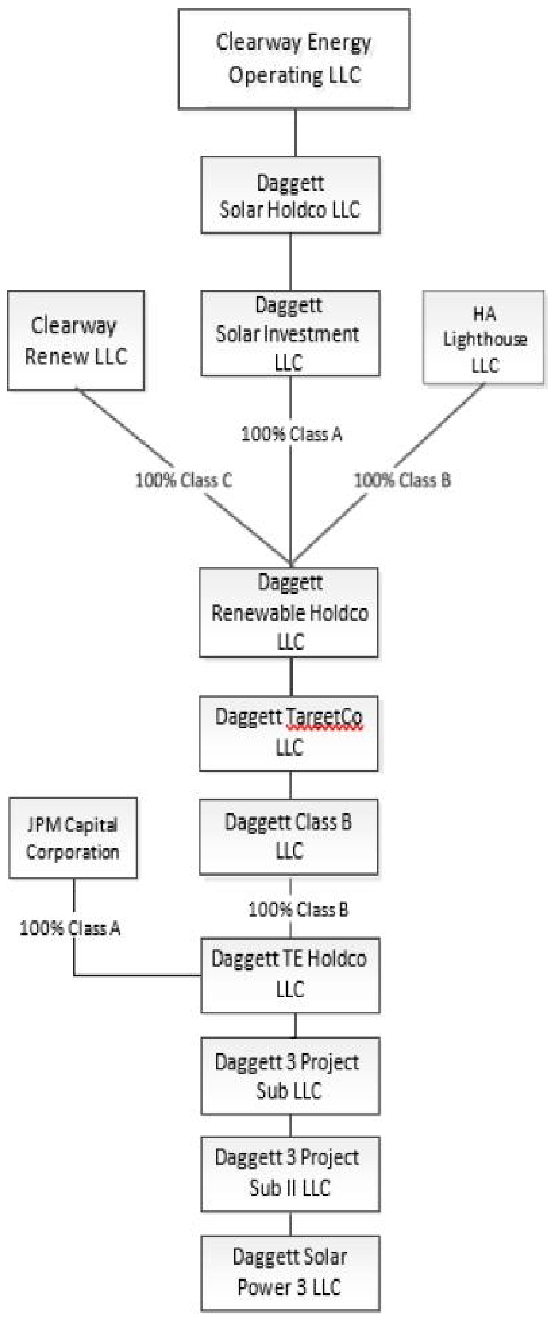
As of December 31, 2023, Clearway Energy, Inc., through its ownership of Class A and Class C common stock, had a 57.90% economic interest in Clearway Energy LLC, while Clearway Energy Group, through its ownership of Class B and Class D common stock, had a 54.91% voting interest in Clearway Energy, Inc. and a 42.10% economic interest in Clearway Energy LLC.

DAGGETT RENEWABLE HOLDCO LLC AND SUBSIDIARIES

Notes to Consolidated Financial Statements

December 31, 2023

The diagram below represents a summarized structure of the Company as of December 31, 2023:



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

(a) Limited Liability Company Agreement

The Company is governed by an amended and restated limited liability company agreement, or LLCA, dated February 17, 2023. The LLCA provides for allocations of income, taxable items and available cash to its members, which are 25% to Daggett Solar Investment LLC, the Class A Member, and 75% to HASI, 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 90% 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 9, *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) Power Purchase Agreements and Long-Term Resource Adequacy Agreement

Daggett Solar Power 3 is contracted under the following power purchase agreements, or PPAs, and a long-term resource adequacy agreement to deliver the energy output of the Facility as well as energy storage capacity, resource adequacy, and renewable energy attributes. The PPAs, as amended, provide for the sale of energy based on a fixed price applied to actual production amounts. The PPAs also provide for storage payments based on a fixed price applied to the monthly storage contract capacity multiplied by an efficiency factor and availability adjustment as defined in the agreements. In addition, the Company intends to qualify for and utilize the investment tax credit. Under the terms of the PPA agreements, Daggett Solar Power 3 has guaranteed certain performance output that if not achieved could result in the payment of shortfall amounts commencing with the commercial operations date, or COD. A delay in the guaranteed COD resulted in payment of delay damages to the offtakers as defined in the agreements. The Company incurred $310 thousand in damages related to the delay in COD, which Clearway Renew agreed to pay. Accordingly, the Company recorded a non-cash distribution to Clearway Renew in the consolidated statement of equity for the period from February 17, 2023 through December 31, 2023.

Offtaker	Effective date	COD date	Contract capacity (MW)	Energy storage capacity (MW)	Term [(a)]
Renewable PPAs:					
Marin Clean Energy	9/25/2020	8/25/2023	110	60	15 years
Clean Power Alliance of Southern California	10/2/2020	11/17/2023	123	61.5	15 years
Ava Community Energy Authority [(b)]	9/29/2021	9/5/2023	50	12.5	15 years
Exelon Generation Company, LLC	6/8/2021	7/14/2023	17	15	10 years
Pacific Gas and Electric Company [(c)]	12/10/2020	9/1/2023	—	—	15 years
			300	149	

(a) PPA term effective through 10th or 15th anniversary of COD date as defined in PPA.

(b) Effective November 29, 2023, East Bay Community Energy Authority was renamed to Ava Community Energy Authority.

(c) Represents a long-term resource adequacy agreement to sell 15 MW of resource adequacy at a fixed price.

(c) Balance of Plant Engineering, Procurement and Construction, or EPC, Agreement

Daggett Solar Power 3 is party to an amended and restated fixed-price EPC agreement with D.H. Blattner & Sons, Inc., or Blattner, for the engineering, construction, and commissioning of the Facility for $230.9 million, that was subject to price adjustments as defined in the agreement. During the period from February 17, 2023 through December 31, 2023, the Company incurred costs under this agreement of $6.1 million, all of which were capitalized and reflected in property, plant, and equipment, net on the Company's consolidated balance sheet. Amounts due to Blattner of $4.1 million are included in accounts payable – trade as of December 31, 2023, of which the Company received a $3.2 million credit and paid the outstanding balance during the first quarter of 2024. Daggett Solar Power 3's obligations have been fulfilled under this agreement.

(d) Equipment Supply Contracts and Maintenance Agreement

Equipment Supply Contracts

Clearway Renew is party to an Equipment Supply Agreement with JA Solar USA Inc., or JA Solar, for which the Company has the ability but not the obligation to purchase solar photovoltaic energy generating modules. Daggett Solar Power 3 entered into a First Amended and Restated Purchase Order supplementing the agreement between Clearway Renew and JA Solar by adjusting the price and schedule for delivery of the modules. During the period from February 17, 2023 through December 31, 2023, Daggett Solar Power 3 incurred costs related to modules of $15.4 million, all of which were capitalized and reflected in property, plant, and equipment, net on the Company's consolidated balance sheet.

Daggett Solar Power 3 is party to an Equipment Supply Contract with Wärtsilä North America, Inc., or Wärtsilä North America, for energy storage equipment and services totaling $130.4 million, that was subject to price adjustments as defined in the contract. During the period from February 17, 2023 through December 31, 2023, the Company incurred costs under this agreement of $13.4 million, all of which were capitalized and reflected in property, plant, and equipment, net on the Company's consolidated balance sheet. Daggett Solar Power 3's obligations have been fulfilled under this agreement.

Maintenance Agreement

In addition, Daggett Solar Power 3 contracted with Wärtsilä North America to provide certain maintenance services for the battery energy storage system. The agreement has an initial term of ten years commencing on August 11, 2023, and will automatically renew for additional five year periods unless terminated by either party as provided for in the agreement. The agreement provides for payment of annual fixed fees, warranty fees, and capacity management fees. During the period from February 17, 2023 through December 31, 2023, the Company incurred costs under this agreement of $2.0 million, of which $463 thousand representing annual fixed and warranty fees was included in cost of operations in the consolidated statement of operations, $916 thousand representing capacity management fees was capitalized and reflected in property, plant, and equipment, net and $648 thousand representing prepaid annual fixed and warranty fees was included in prepayments and other current assets on the Company's consolidated balance sheet. Amounts due to Wärtsilä North America of $2.0 million are included in accounts payable – trade as of December 31, 2023.

(2) Summary of Significant Accounting Policies

(a) Basis of Presentation

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 the 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, 2023 (in thousands):

		2023
Cash	$	3,641
Restricted cash		18,675
Cash and restricted cash shown in the consolidated statement of cash flows	$	22,316

Restricted cash consists primarily of funds held in construction completion reserves which were funded by the tax equity investor.

(c) Accounts Receivable – Trade

Trade accounts receivable are recorded at the invoiced amount and do not bear interest. The majority of the Company's customers typically receive invoices monthly with payment due within 30 days. There was no allowance for credit losses as of December 31, 2023.

(d) 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. See note 5, *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 period from February 17, 2023 through December 31, 2023 was $17.8 million, which includes amortized debt issuance costs of $547 thousand.

(e) 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. 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, 2023.

(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 to interest expense on a basis which approximates the effective interest method over the term of the financing obligation and are presented on the balance sheets as a direct deduction from the carrying amount of the related debt. Prior to reaching COD, these amortized amounts were included in the calculation of capitalized interest.

Amortization expense, included in interest expense in the consolidated statement of operations, was $216 thousand for the period from February 17, 2023 through December 31, 2023. In addition, Daggett Solar Power 3 recorded a $2.7 million loss on extinguishment of debt associated with writing off a portion of the debt issuance costs for the period from February 17, 2023 through December 31, 2023.

(g) Leases

The Company accounts for 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 has elected to apply the practical expedient to not separate lease and non-lease components of the leases.

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 2(i), *Revenue Recognition*, below and note 10, *Leases,* for information on the Company's leases.

(h) Income Taxes

For the period February 17, 2023 through December 31, 2023, 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, 2023 by the Company.

(i) Revenue Recognition

Power Purchase Agreements

The Company sells power and battery storage to offtakers under PPAs as described in note 1(b), *Power Purchase Agreements and Long-Term Resource Adequacy Agreement.* The PPAs with respect to power sales are derivative financial instruments that qualify for the normal purchase normal sale exception and as such, are accounted for under the revenue recognition guidance in ASC 606, *Revenue from Contracts with Customers,* or ASC 606, and revenue is recognized when the underlying power is delivered. Revenue from the sale of bundled RECs under the renewable PPAs 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.

Lease Revenue

The Company accounts for the battery storage component recognized under the PPAs as operating leases in accordance with ASC 842. The battery storage component includes variable payments not based on an index or rate and sales-type lease treatment would result in a loss at lease commencement. ASC 842 requires the minimum lease payments received to be amortized over the term of the lease and contingent rentals are recorded when the achievement of the contingency becomes probable. Judgment is required by management in determining the economic life of each generating facility, in evaluating whether certain lease provisions constitute minimum payments or represent contingent rent and other factors in determining whether a contract contains a lease and whether the lease is an operating lease or finance lease.

The battery storage component of the PPAs has fixed capacity payments treated as minimum lease payments and variable amounts recorded as contingent rent on an actual basis when electricity is delivered. The Company recognizes the fixed capacity payments over the term of the PPAs. See note 10, *Leases*, for information on minimum future lease payments. The contingent lease revenue recognized for the period from February 17, 2023 through December 31, 2023 was $72 thousand.

Unbundled Renewable Energy Credits, or RECs, Revenue

The Company's PPA with Exelon Generation Company, LLC provides for the sale of RECs separately. RECs are sold at a fixed price per MWh as defined in the agreement. REC revenue 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. This revenue is accounted for in accordance with ASC 606, utilizing the invoicing practical expedient, which represents the RECs delivered.

Capacity Revenue

The Company's PPA with Pacific Gas and Electric Company provides for the sale of resource adequacy for 15 MW sold at a fixed price as defined in the agreement. The Company accounts for revenue recognized under its long-term resource adequacy agreement in accordance with ASC 606.

Disaggregated Revenues

The following table represents the Company's disaggregation of revenue from contracts with customers for the period from February 17, 2023 through December 31, 2023 (in thousands):

		2023
Energy revenues	$	10,290
Capacity revenues		2,699
REC revenues		216
Total operating revenues		13,205
Less: Lease revenue		(2,577)
Total revenue from contracts with customers	$	10,628

Contract Balances

The following table reflects the contract assets in the Company's consolidated balance sheet as of December 31, 2023 (in thousands):

		2023
Accounts receivable – contracts with customers	$	3,954
Accounts receivable – leases		1,791
Accounts receivable – other		92
Total accounts receivable – trade	$	5,837

(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. The Company uses interest rate swaps to manage its interest rate exposure on long-term debt, which are not designated as cash flow hedges. Changes in the fair value of non-hedge derivatives are immediately recognized in earnings. Cash flows from derivatives not designated as cash flow hedges are classified as operating activities in the consolidated statement of cash flows. 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 financial instruments. Accounts receivable are concentrated with utility companies and electricity providers. 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 diversification and 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, output and storage capacity, 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 and energy storage facility or its energy purchasers.

(l) Fair Value Measurements

The Company accounts for the fair value of financial instruments in accordance with ASC 820, *Fair Value Measurement*, or ASC 820.

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 receivable – affiliate, 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 amounts and estimated fair values of the Company's recorded financial instruments not carried at fair market value or that do not approximate fair value as of December 31, 2023 are as follows (in thousands):

	2023	
	Carrying Amount	**Fair Value**
Long-term debt [(a)]	$ 217,088	$ 214,235

[(a)] Excludes net debt issuance costs, as shown in note 6, *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 sheet 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 uses 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. As of December 31, 2023, the non-performance reserve was a $1.9 million loss recorded to interest expense in the consolidated statement of operations. For further discussion of interest rate swaps, 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 7, *Asset Retirement Obligations*, for further information.

(o) Tax Equity Arrangements

The Company's noncontrolling interest in subsidiaries represents the Class A Member's interest in the net assets of Daggett 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.

(p) Comprehensive Loss

The Company's total comprehensive loss is equal to net loss for the period from February 17, 2023 through December 31, 2023..

(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. Actual results may differ from those estimates.

(3) Acquisition

On February 17, 2023, the Company, through its subsidiary, Daggett TE Holdco, acquired Daggett 3 Project Sub LLC, the holding company for Daggett Solar Power 3, from Daggett Project Holdco LLC, pursuant to a Membership Interest Purchase Agreement, dated November 24, 2021 and amended April 6, 2022, in connection with the acquisition of the Class A membership interests of Daggett TargetCo by Daggett Solar Investment LLC and the Class B membership interests of Daggett TargetCo by HASI from Clearway Renew, as described in note 1, *Nature of Business*. Daggett TE Holdco's purchase price was paid to Clearway Renew with amounts contributed by Daggett Solar Investment LLC and HASI. On February 17, 2023, \$62.4 million was placed into a restricted cash account designated for payment of the tax equity bridge loan as described in note 1, *Nature of Business,* as well as \$75.6 million of net proceeds from the acquisition of Daggett TargetCo, which were contributed back to the Company from Clearway Energy Group and were utilized to repay the cash equity bridge loan, along with related fees, as further described in note 6, *Long-Term Debt*. The acquisition was determined to be an asset acquisition, and the Company consolidates Daggett Solar Power 3 on a prospective basis in its consolidated 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 historical cost of the Company's net assets acquired of \$14.2 million was recorded as an adjustment to contributed capital on the Company's consolidated statement of equity.

The following is a summary of assets and liabilities transferred in connection with the acquisition as of February 17, 2023 (in thousands):

Assets:		
Current assets	$	3,776
Property, plant, and equipment, net		533,855
Right-of-use assets, net		31,250
Derivative instruments		26,744
Total assets acquired		595,625
Liabilities:		
Long-term debt [(a)]		480,311
Lease liabilities		33,102
Other current and non-current liabilities [(b)]		67,993
Total liabilities assumed		581,406
Net assets acquired	$	14,219

(a) Includes a $181.0 million construction loan, $75.4 million cash equity bridge loan and a $228.5 million tax equity bridge loan, offset by $4.5 million in unamortized debt issuance costs. See note 6, *Long-Term Debt*, for further discussion of the long-term debt assumed in the acquisition.

(b) Includes $31.9 million of construction costs that were subsequently funded by a subsidiary of Clearway Renew. Subsequent to the acquisition date, a subsidiary of Clearway Renew funded an additional $21.9 million in construction costs. The combined $53.8 million funded by a subsidiary of Clearway Renew was repaid to a subsidiary of Clearway Renew in October 2023.

(4) Accounting for Derivative Instruments and Hedging Activities

(a) Interest Rate Swaps

In accordance with the financing agreement, as described in note 6, *Long-Term Debt*, the Company has a series of outstanding amortizing interest rate swap agreements for 86% of the outstanding term loan amount, intended to hedge the risks associated with floating interest rates. The Company pays its counterparty the equivalent of a fixed interest payment on a predetermined notional amount, and quarterly, the Company receives the equivalent of a floating interest payment based on a three-month Term Secured Overnight Financing Rate, or Term SOFR, calculated on the same notional amount.

The Company also had entered into an interest rate swap agreement that became effective November 30, 2022 and matured on July 31, 2023. The swap was intended to hedge the risks associated with floating interest rates on the expected borrowings under the construction financing. The interest rate swap agreement entitled the Company to receive a floating (one-month SOFR) rate and pay a fixed rate of 4.729%. The swap was not designated as a cash flow hedge.

rate of 4.729%. The swap was not designated as a cash flow hedge.

(b) Volumetric Underlying Derivative Transactions

The notional amount of the interest rate swaps will decrease in proportion to the principal balance of the loan. The table below summarizes the outstanding notional amounts and terms of the interest rate swaps as of December 31, 2023:

	Notional amount (in thousands)		
Effective date	**2023**	**Fixed Rate**	**Maturity Date**
September 29, 2023	$ 148,894	1.908%	September 30, 2043 [a]
September 30, 2023	37,224	1.908%	September 30, 2043 [a]
	$ 186,118		

(a) The interest rate swap agreements are subject to a mandatory early termination date of September 29-30, 2028.

(c) Fair Value of Derivative Transactions

The following table summarizes the Company's derivative assets on the consolidated balance sheet as of December 31, 2023 (in thousands):

	2023
Derivatives not designated as cash flow hedges:	
Interest rate contracts current	$ 5,047
Interest rate contracts long-term	23,060
Total derivative assets	$ 28,107

(d) Impact of Derivative Instruments on the Consolidated Statement of Operations

Mark-to-market gains and losses related to the Company's derivatives are recorded to interest expense. For the period from February 17, 2023 through December 31, 2023, the impact to the consolidated statement of operations was a gain of $1.4 million.

(5) Property, Plant, and Equipment

The Company's major classes of property, plant, and equipment as of December 31, 2023 consists of (in thousands):

		2023	Depreciable lives
Plant equipment	$	592,827	10 - 27 years
Construction in progress		916	—
Total property, plant, and equipment		593,743	
Less accumulated depreciation		(6,118)	
Net property, plant, and equipment	$	587,625	

(6) Long-Term Debt

On February 17, 2023, as part of the acquisition of Daggett Solar Power 3, as further described in note 3, *Acquisition*, the Company assumed the financing agreement which included a $181.0 million construction loan, a $228.5 million tax equity bridge loan, and a $75.4 million cash equity bridge loan, offset by $4.5 million in unamortized debt issuance costs. The cash equity bridge loan was repaid at acquisition date, along with $8.1 million in associated fees, utilizing the proceeds contributed to the Company from the acquisition of Daggett Solar Power 3's indirect parent, Daggett TargetCo, by Daggett Solar Investment LLC and the cash equity investor. On December 1, 2023, when the Facility reached substantial completion, the tax equity investor contributed an additional $252.5 million, which was utilized, along with the $68.5 million in escrow, to repay the $228.5 million tax equity bridge loan, to fund $40.4 million in construction completion reserves, and to pay $7.5 million in associated fees, with the remaining $44.6 million distributed to Clearway Energy Group. Subsequent to the acquisition on February 17, 2023, the Company borrowed an additional $36.1 million in construction loans and the total outstanding construction loans were converted to a term loan in the amount of $217.1 million on December 1, 2023. The term loan will mature on December 1, 2028 and is secured by the Company's interests in the Facility.

The construction loan and the tax equity bridge loan each had an interest rate of Term SOFR, plus an adjustment of 0.26161% per annum and an applicable margin of 1.00% per annum. In addition to interest on the outstanding borrowings, the Company paid a quarterly commitment fee on each of the unused portions of the construction loan equal to 0.375% per annum. The term loan bears interest at a rate of Term SOFR plus an adjustment of 0.26161% per annum and an applicable margin, which is 1.50% per annum through the third anniversary of the term conversion, and 1.625% per annum thereafter through the term loan maturity date.

The financing agreement also provides for a letter of credit facility of up to $47.1 million, consisting of $39.3 million to support power purchase agreements and $7.8 million to support debt service requirements. The Company pays on a quarterly basis a letter of credit fee of 1.00% per annum on issued amounts under the letter of credit facility, which escalates 0.50% on the term conversion and 0.125% on the third anniversary of term conversion. In addition, the Company pays quarterly commitment fees on any of the unused portions of the letter of credit commitments equal to 0.375% per annum. As of December 31, 2023, the amount of outstanding letters of credit totaled $42.9 million, of which $38.7 million supports power purchase agreements and $4.2 million supports debt service reserve requirements.

Daggett Class B LLC entered into interest rate swap agreements to hedge the majority of the variable interest rate exposure under the term loan. For further details regarding the interest rate swap agreements, see note 4, *Accounting for Derivative Instruments and Hedging Activities*.

As of December 31, 2023, long-term debt consists of the following (in thousands):

		2023
Total long-term debt (including current maturities)	$	217,088
Less current maturities		(396)
Less debt issuance costs, net		(2,494)
Long-term debt	$	214,198

Distributions from the Company are subject to the terms and conditions defined in the financing agreement, including a condition to meet a required debt service coverage ratio of 1.20 to 1.0. At December 31, 2023, the Company is not subject to the requirements to perform the calculation or make distributions until March 31, 2024, the end of the first full calendar quarter after term conversion.

Annual payments based on the maturities of the Company's debt as of December 31, 2023 are summarized as follows (in thousands):

Year ending December 31:		
2024	$	396
2025		437
2026		427
2027		398
2028		215,430
	$	217,088

(7) Asset Retirement Obligations

The Company's AROs are the estimated cost to remove the above ground solar and energy storage equipment and restore the site to conditions similar to the surrounding parcels. The following table represents the balance of the AROs, along with the related activity for the period from February 17, 2023 through December 31, 2023 (in thousands):

Balance as of February 17, 2023	$	—
Acquired liabilities		3,989
Revisions in estimated cash flows		(14)
Accretion expense		292
Balance as of December 31, 2023	$	4,267

(8) Variable Interest Entities, or VIEs

The Company has a controlling financial interest in Daggett 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, N*ature of Business*, on February 17, 2023, Daggett Solar Investment LLC acquired the Class A membership interests in Daggett TargetCo while HASI acquired the Class B membership interests. Daggett Solar Investment LLC and HASI then contributed their Class A and B membership interests, respectively, into Daggett Renewable Holdco and concurrently, Daggett TargetCo became a wholly owned subsidiary of Daggett Renewable Holdco. Daggett TargetCo consolidates as primary beneficiary and through its ownership of the Class B membership interests, Daggett TE Holdco, a tax equity fund which is a VIE, that indirectly owns Daggett Solar Power 3. The Class A membership interests in Daggett TE Holdco are held by a tax equity investor, JPM Capital, and are reflected as noncontrolling interest on the Company's consolidated balance sheet.

The summarized financial information for Daggett TE Holdco as of December 31, 2023 consisted of the following (in thousands):

		2023
Other current and non-current assets	$	58,805
Property, plant, and equipment, net		587,625
Total assets		646,430
Current liabilities		9,576
Non-current liabilities		37,792
Total liabilities		47,368
Net assets	$	599,062

(9) Related Party Transactions

The Company has the following related party transactions and relationships in addition to the reimbursement of liquidated damages described in note 1, *Nature of Business,* and the lease agreement described in note 10, *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 balance sheets. These account balances are netted by affiliate party.

The Company 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 1, 2023 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. No costs were incurred under this agreement for the period from February 17, 2023 through December 31, 2023.

Daggett Solar Power 3 had a Construction Management Agreement with Renewables Construction LLC, or Renewables Construction, a subsidiary of Clearway Renew, effective October 28, 2021 through the three months following the commercial operations date. Under the terms of the agreement, Renewables Construction provided certain construction management and administrative services for the Facility. As full compensation for the services provided, Renewables Construction was paid a service fee of \$40.0 million. The service fee was payable on or before the commercial operation capital contribution date. As of December 31, 2023, \$40.0 million of costs have been incurred under this agreement, \$4.0 million of which were previously capitalized and are reflected in property, plant, and equipment, net on the Company's consolidated balance sheet and \$36.0 million of costs represented a development margin and was recorded as a distribution to Clearway Renew included in contributed capital in the consolidated statement of equity. Daggett Solar Power 3's obligations have been fulfilled under this agreement.

Daggett Solar Power 3 has an Operation and Maintenance Agreement, or O&M Agreement, with Clearway Renewable Operation & Maintenance LLC, or RENOM, a subsidiary of Clearway Energy Group, to provide operation and maintenance services for the balance of the plant not covered by the maintenance agreement with Wärtsilä North America. The initial term of the agreement is ten years commencing May 28, 2021, and will automatically renew for additional five year periods unless terminated by either party as provided for in the O&M Agreement. The O&M Agreement allows for reimbursement of mobilization expenses, start-up expenses, and direct operating and capital improvement expenses, including a five percent markup. Additionally, there is an annual profit fee subject to performance factors with an annual escalation of 2.25%. For the period from February 17, 2023 through December 31, 2023, the Company incurred costs of \$858 thousand under this agreement, of which \$94 thousand of these costs are included in cost of operations in the consolidated statement of operations and \$764 thousand was capitalized and reflected in property, plant, and equipment, net on the Company's consolidated balance sheet.

Daggett TE Holdco and Daggett Solar Power 3 are parties to a Project Administration Agreement, or PAA, with Clearway Asset Services LLC, a subsidiary of Clearway Energy Group. The agreement has an initial term of ten years commencing on October 28, 2021, and will automatically renew in one-year increments unless either party delivers written notice of termination to the other party no later than 180 days prior to the expiration of the initial term or applicable renewal term. The PAA provides for the payment of fixed fees of $359 thousand with an annual escalation of 2.25%, and reimburses Clearway Asset Services LLC for reasonable expenses incurred in connection with its services. For the period from February 17, 2023 through December 31, 2023, the Company incurred costs of $325 thousand under this agreement. These costs are included in cost of operations in the consolidated statement of operations.

Daggett Solar Power 3 is party to a Shared Facilities Common Ownership Agreement with Daggett Solar Power 2 LLC, a subsidiary of Daggett Solar Investment LLC, Daggett Solar Power 1 LLC and Daggett Land Holdings LLC, subsidiaries of Clearway Renew, which grants Daggett Solar Power 3 rights to use the operations and maintenance building and storage yard facilities including surrounding areas, and access and use of other shared equipment and facilities owned by the respective subsidiaries. The agreement also addresses Daggett Land Holdings LLC rights and obligations in connection with various licenses. Daggett Solar Power 3 is obligated to pay an administration fee of 10% of costs and expenses paid by the administrative manager, Daggett Solar Power 2 LLC. No costs were incurred under this agreement for the period from February 17, 2023 through December 31, 2023.

(10) Leases

Solar Facility Ground Lease Agreement

The Company has entered into a solar facility ground lease agreement with Daggett Land Holdings LLC, a subsidiary of Clearway Renew, which grants Daggett Solar Power 3 nonexclusive easement rights to use the land on which the Facility is located. The Company is obligated to pay fixed fee rent payments as defined in the agreement through December 2062.

Lease expense for the period from February 17, 2023 through December 31, 2023 was $2.3 million. These costs are included in cost of operations in the consolidated statement of operations.

Operating lease information as of December 31, 2023 was as follows (in thousands, except term and rate):

		2023
Right-of-use assets - operating leases, net	$	30,661
Short-term lease liability - operating leases	$	(298)
Long-term lease liability - operating leases		33,525
Total lease liabilities	$	33,227
Weighted average remaining lease term		39 years
Weighted average discount rate		5.69 %

		February 17, through December 31, 2023
Cash paid for operating leases	$	1,609

Minimum future rental payments of operating lease liabilities as of December 31, 2023 are as follows (in thousands):

2024	$	1,609
2025		1,634
2026		1,661
2027		1,693
2028		1,724
Thereafter		93,291
Total lease payments		101,612
Less imputed interest		(68,385)
Total lease liability - operating leases	$	33,227

Lessor

Certain of the Company's revenue is obtained through PPAs in which the battery storage component of the PPAs are accounted for as operating leases. The terms of the PPAs are further discussed in note 1(b), *Power Purchase Agreements and Long-Term Resource Adequacy Agreement* and note 2(i), *Revenue Recognition.*

Minimum future rent payments the Company expects to receive for the remaining periods related to operating leases as of December 31, 2023 are as follows (in thousands):

2024	$	12,796
2025		12,829
2026		12,829
2027		12,829
2028		12,829
Thereafter		125,640
Total lease payments	$	189,752

Property, plant, and equipment, net related to the Company's operating leases were estimated as follows for December 31, 2023 (in thousands):

		2023
Property, plant, and equipment	$	163,459
Accumulated depreciation		(2,130)
Net property, plant, and equipment	$	161,329

(11) Subsequent Events

Effective January 1, 2024, Daggett 2 TargetCo LLC, a separate partnership amongst the same members and another consolidated subsidiary of Daggett Solar Investment LLC, consolidates into Daggett Renewable Holdco, pursuant to a Contribution Agreement, dated February 13, 2024. The members contributed 100% of their respective membership interests of Daggett 2 TargetCo LLC to Daggett Renewable Holdco. As the transfer is among entities under common control, the transaction will be recognized at historical cost and no gain or loss will be recognized.

The Company has evaluated subsequent events from the balance sheet date through March 28, 2024, the date at which the financial statements were available to be issued, and determined that there are no additional items to disclose other than the events described elsewhere in the notes to financial statements.

LIGHTHOUSE RENEWABLE HOLDCO 2 LLC AND SUBSIDIARIES

Consolidated Financial Statements

December 31, 2023

(With Report of Independent Auditors)

LIGHTHOUSE RENEWABLE HOLDCO 2 LLC AND SUBSIDIARIES

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Building a better working world

Report of Independent Auditors

The Members
Lighthouse Renewable Holdco 2 LLC

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, 2023 and 2022, and the related consolidated statements of operations, equity and cash flows for the years ended December 31, 2023 and 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, 2023 and 2022, and the results of its operations and its cash flows for the years ended December 31, 2023 and 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

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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 28, 2024

LIGHTHOUSE RENEWABLE HOLDCO 2 LLC AND SUBSIDIARIES

Consolidated Balance Sheets

December 31, 2023 and 2022

(In thousands)

Assets	**2023**	**2022**
Current assets:		
Cash	$ 3,551	$ 4,981
Restricted cash	33,683	8,138
Accounts receivable – trade	9,722	1,077
Derivative instruments	1,644	—
Prepayments and other current assets	1,914	469
Total current assets	50,514	14,665
Property, plant, and equipment, net	1,085,731	358,059
Other assets:		
Intangible asset	1,266	—
Derivative instruments	2,761	—
Right-of-use assets, net	82,921	33,597
Other non-current assets	4,769	1,980
Total other assets	91,717	35,577
Total assets	$ 1,227,962	$ 408,301
Liabilities and Equity		
Current liabilities:		
Current portion of long-term debt	$ 2,296	$ —
Notes payable	17,939	—
Notes payable – affiliate	4,744	—
Accounts payable – trade	22,949	5,140
Accounts payable – affiliate	5,119	460
Accrued property and other taxes	4,861	4,106
Derivative instruments	23,958	9,236
Lease liabilities	524	168
Accrued and other current liabilities	2,480	975
Total current liabilities	84,870	20,085
Other liabilities:		
Long-term debt	98,590	—
Derivative instruments	142,200	67,421
Deferred income taxes	839	1,034
Asset retirement obligations	18,650	1,022
Long-term lease liabilities	85,361	34,016
Tracking accounts	22,500	12,000
Total other liabilities	368,140	115,493
Total liabilities	453,010	135,578
Commitments and contingencies		
Equity:		
Members' equity	184,635	42,675
Noncontrolling interest	590,317	230,048
Total equity	774,952	272,723
Total liabilities and equity	$ 1,227,962	$ 408,301

See accompanying notes to consolidated financial statements.

LIGHTHOUSE RENEWABLE HOLDCO 2 LLC AND SUBSIDIARIES

Consolidated Statements of Operations

(In thousands)

	Year ended December 31, 2023	Year ended December 31, 2022	December 17, through December 31, 2021
Operating revenues:			
Total operating revenues	$ (1,435)	$ (33,896)	$ 1,220
Operating costs and expenses:			
Cost of operations	16,650	14,984	113
Depreciation and accretion	20,316	19,522	4
Total operating costs and expenses	36,966	34,506	117
Operating (loss) income	(38,401)	(68,402)	1,103
Other income (expense):			
Other expense	(5)	—	—
Interest expense	(1,664)	(255)	—
Total other expense	(1,669)	(255)	—
(Loss) income before income taxes	(40,070)	(68,657)	1,103
Income tax (benefit) expense	(1,719)	163	871
Net (loss) income	(38,351)	(68,820)	232
Less: net loss attributable to noncontrolling interest	(13,797)	(12,940)	(114)
Net (loss) income attributable to Lighthouse Renewable Holdco 2 LLC and subsidiaries	$ (24,554)	$ (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 interests	—	—	—	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
Net loss	—	—	(24,554)	(13,797)	(38,351)
Acquisition of Texas Solar Nova 1	(28,730)	—	—	—	(28,730)
Mesquite Star Special net assets transferred from affiliate	47,847	15,180	—	228,457	291,484
Member loans transferred from affiliate	(8,967)	(8,598)	—	—	(17,565)
Cash contributions	63,894	108,742	—	—	172,636
Cash contributions from noncontrolling interests	—	—	—	148,244	148,244
Cash distributions	(22,781)	—	—	—	(22,781)
Payment of transaction costs	—	—	—	(2,846)	(2,846)
Non-cash contributions (distributions), net	(73)	—	—	211	138
Balance at December 31, 2023	$ 26,002	$ 238,721	$ (80,088)	$ 590,317	$ 774,952

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, 2023	Year ended December 31, 2022	December 17, through December 31, 2021
Cash flows from operating activities:			
Net (loss) income	$ (38,351)	$ (68,820)	$ 232
Adjustments to reconcile net (loss) income to net cash (used) provided by operating activities:			
Depreciation and accretion	20,316	19,522	4
Reduction in carrying amount of right-of-use assets	814	599	—
Contract amortization	154	154	6
Amortization of property tax abatement payments	162	—	—
Loss on disposal of assets	(1,935)	—	—
Income tax expense	(1,719)	163	871
Changes in derivative instruments	6,217	34,425	(1,199)
Cash provided (used) by changes in other working capital:			
Accounts receivable – trade	3,212	(440)	(412)
Prepayments and other current assets	423	(163)	376
Accounts payable – trade	1,696	2,037	(563)
Accounts payable – affiliate	(2,030)	(399)	584
Accrued property and other taxes	(1,097)	4,102	—
Accrued and other current liabilities	(1,163)	935	(216)
Tracking accounts	—	11,687	313
Operating lease liabilities	(448)	(164)	—
Net cash (used) provided by operating activities	(13,749)	3,638	(4)
Cash flows from investing activities:			
Acquisitions	(20,040)	—	(61,012)
Transfer from affiliate	2,079	—	—
Capital expenditures	3,172	(25,655)	(3,066)
Net cash used by investing activities	(14,789)	(25,655)	(64,078)
Cash flows from financing activities:			
Proceeds from issuance of debt	11,647	—	—
Payments of debt	(259,680)	—	(355,150)
Proceeds from issuance of notes payable	2,900	—	—
Payments for notes payable	(367)	—	—
Proceeds from issuance of notes payable – affiliate	2,900	—	—
Acquisition of noncontrolling interest	—	(12,089)	—
Distribution to member of additional consideration paid to Clearway Renew	—	(22,129)	—
Contributions from members	172,636	22,991	222,619
Contributions from noncontrolling interests	148,244	—	244,087
Distributions to members	(22,781)	(397)	—
Payment of transaction costs	(2,846)	—	(714)
Net cash provided (used) by financing activities	52,653	(11,624)	110,842
Net increase (decrease) in cash and restricted cash	24,115	(33,641)	46,760
Cash and restricted cash at beginning of year	13,119	46,760	—
Cash and restricted cash at end of year	$ 37,234	$ 13,119	$ 46,760
Non-cash investing and financing activities:			
Increase to accounts receivable – trade for insurance proceeds	$ 4,314	$ —	$ —
Increase to fixed assets for accrued capital expenditures	574	—	—
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, or the Class A Member, a subsidiary of Clearway Energy Operating LLC, HA Lighthouse LLC, or HASI, a cash equity 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. From November 5, 2021 through December 16, 2021, Lighthouse 2 had no activity.

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, 2023, Clearway Energy, Inc., through its ownership of Class A and Class C common stock, had a 57.90% 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 42.10% economic interest in Clearway Energy LLC.

BMP Wind LLC (Mesquite Sky)

On December 17, 2021, through its consolidated subsidiaries (shown in the diagram below), Lighthouse 2 acquired BMP Wind LLC, referred to as Mesquite Sky, as further described in note 3, *Acquisitions*. Mesquite Sky 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. Mesquite Sky owns and operates a 340-megawatt (MW) wind powered electricity-generating system comprised of Siemens Gamesa SG 5.0-145 MW turbines, or the Mesquite Sky Facility, located in Callahan County, Texas. The Mesquite Sky Facility achieved 100% commercial operations, or COD, on December 1, 2021.

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 a 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.

Mesquite Star Special LLC

Effective on August 31, 2023 and pursuant to a Master Transfer Agreement, a separate partnership owned by the Company's Class A Member, Lighthouse Renewable Holding Sub LLC, transferred its ownership interest in Mesquite Star Class B Holdco LLC, or Mesquite Star Class B, to the Company. Mesquite Star Class B owns the Class B membership interests Mesquite Star Tax Equity Holdco LLC, or Mesquite Star TE Holdco, a tax equity arrangement with third-party investor MidAmerican Wind Tax Equity Holdings LLC, or MidAmerican. Mesquite Star TE Holdco directly owns Mesquite Star Special, LLC, or Mesquite Star Special, who owns and operates a 418.9-MW wind powered electricity-generating system comprised of Siemens Gamesa SG3.55-132 MW turbines, a power collection system and power substation, or the Mesquite Star Special Facility, located in Fisher County, Texas. The Mesquite Star Special Facility achieved 100% COD on May 26, 2020.

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*. This was concluded to be an asset acquisition and the Company consolidates Mesquite Star Special on a prospective basis in its financial statements. Simultaneously on August 31, 2023, a separate partnership owned by the Company's Class A Member, Lighthouse Renewable Holdco LLC, transferred and assigned to the Company all of its rights and obligations under member loans, as further discussed in note 8, *Notes Payable*.

The following is a summary of the assets and liabilities, excluding the member loans, transferred to the Company as of August 31, 2023 (in thousands):

		2023
Assets:		
Cash	$	2,079
Property, plant, and equipment, net		395,566
Right-of-use assets, net		29,246
Other current and non-current assets		7,357
Total assets		434,248
Liabilities:		
Lease liabilities		33,614
Derivative liabilities		83,284
Tracking account		10,500
Other current and non-current liabilities		15,366
Total liabilities		142,764
Less: Noncontrolling interests		228,457
Net assets transferred	$	63,027

Texas Solar Nova 1 LLC

On December 28, 2023, through its consolidated subsidiaries (shown in the diagram below), Lighthouse 2 acquired Texas Solar Nova 1, LLC, or Texas Solar Nova 1, also referred to as TSN1, as further described in note 3, *Acquisitions*. TSN1 is directly owned by the Company's indirect subsidiary, TSN1 TE Holdco LLC, or TSN1 TE Holdco, a tax equity arrangement between TSN1 Class B Member LLC, or TSN1 Class B, and a third-party investor, JPMorgan Chase Bank, N.A, or JPMorgan Chase. TSN1 owns and operates a 252-MW solar photovoltaic power generating facility, or the TSN1 Facility, located in Kent County, Texas. The TSN1 Facility achieved 100% COD on December 1, 2023.

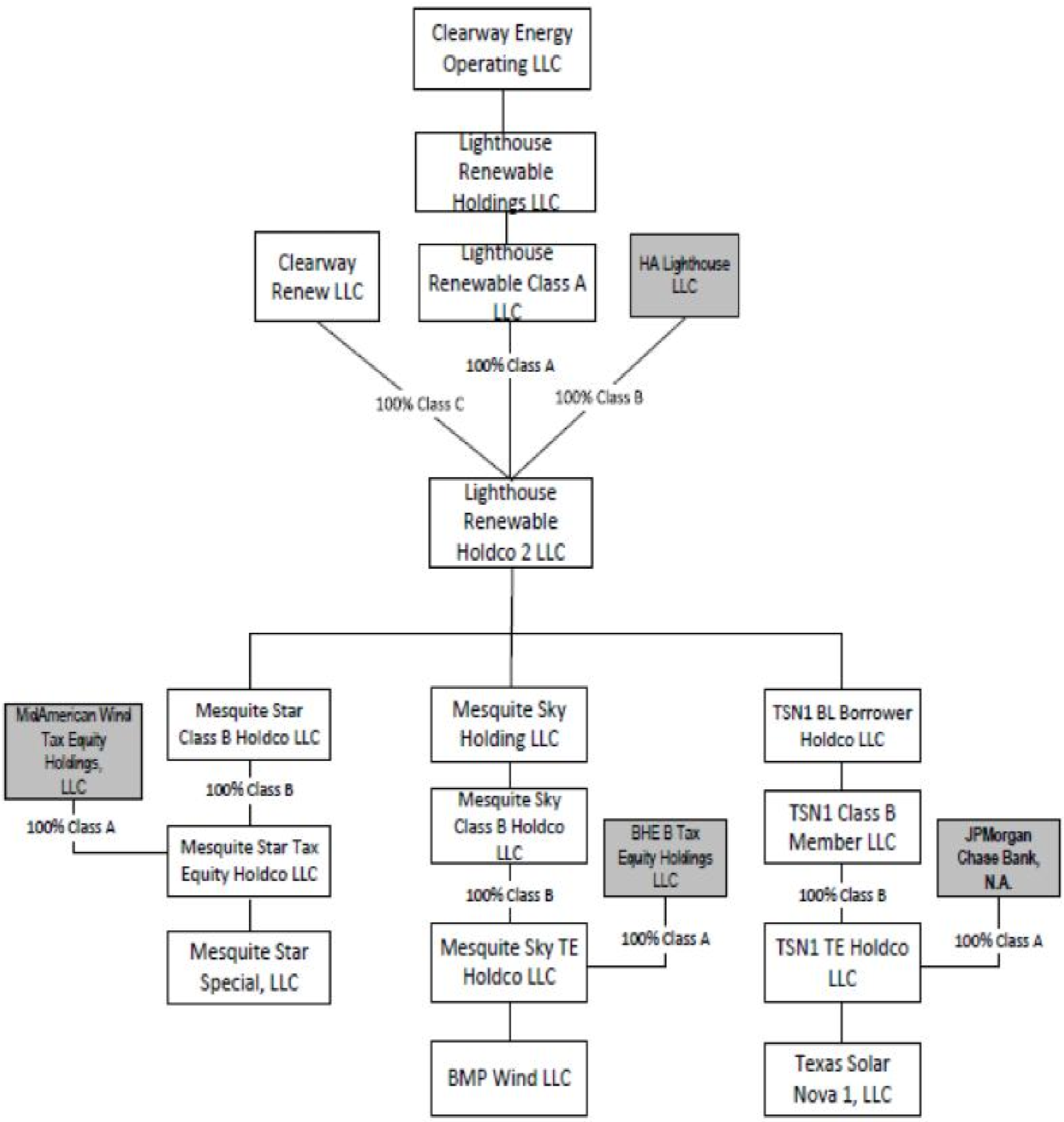
Concurrent with the acquisition on December 28, 2023, in accordance with the amended Equity Capital Contribution Agreement, or ECCA, between the members, JPMorgan Chase made a contribution of \$148.2 million and acquired the Class A membership interests in TSN 1 TE Holdco, whereas TSN1 Class B retained the Class B membership interests. Tax equity proceeds were used for the repayment of debt assumed in the acquisition and transaction expenses.

LIGHTHOUSE RENEWABLE HOLDCO 2 LLC AND SUBSIDIARIES

Notes to Consolidated Financial Statements

December 31, 2023, 2022 and 2021

The diagram below represents a summarized structure of the Company as of December 31, 2023:



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

Limited Liability Company Agreement

The Company is governed by a limited liability agreement, or LLCA, executed on December 17, 2021, which was amended on March 18, 2022 and again on August 30, 2023. The LLCA provides for allocations of income, taxable items and available cash related to the Mesquite Sky and Mesquite Star Special facilities, 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. For the TSN1 Facility, allocations of income, taxable items and available cash are 50% to Lighthouse Renewable Class A and 50% to HASI until December 2033, then are 25% to Lighthouse Renewable Class A and 75% to HASI thereafter, also subject to the pay back of member loans, if any. In addition, subsequent to December 31, 2036, up to 100% 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 Facility, the Mesquite Star Special Facility, or the TSN1 Facility, to cause the assets to be properly operated and maintained and pay for the costs, expenses, obligations and liabilities of the facility, 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. See note 8, *Notes Payable* for information regarding member loans issued in 2023.

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 11, *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.

Mesquite Sky Agreements

(a) ISDA Master Agreement

Mesquite Sky 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 Sky Hedge Agreement. Under the Sky Hedge Agreement, Mesquite Sky is party to a 12-year agreement to sell power to a counterparty at a fixed price, which is utilized to manage the risk of fluctuations in market prices on sales of electricity. The energy-related commodity contract is accounted for as a derivative financial instrument as described in note 2(k), *Derivative Financial Instruments.* The Sky 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, July 27, 2022, and January 27, 2023, Mesquite Sky executed amendments to the energy-related commodity contract under the Sky 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, August 1, 2022 through August 31, 2022, and February 1, 2023 through February 28, 2023. The Company paid settlement fees to the counterparty for these amendments, which totaled \$324 thousand and \$3.1 million for the years ended December 31, 2023 and 2022, respectively, and were recorded as a reduction to operating revenues in the consolidated statements of operations. Mesquite Sky was permitted to utilize the tracking account liability to finance the cost of this settlement in 2022 and recorded the amounts as an increase to the tracking account liability. See *Tracking Account* below for further detail on the tracking account.

Tracking Account

The energy-related commodity contract contains provisions that allows for Mesquite Sky to receive additional money from the counterparty when the price of electricity at the interconnection point of the Mesquite Sky Facility is less than the price of electricity at the hub where Mesquite Sky 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 Mesquite Sky increase the tracking account liability owed by Mesquite Sky up to the maximum liability of \$12.0 million. When the calculated mismatch amount results in Mesquite Sky 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 energy-related commodity contract on September 30, 2033, the tracking account balance will be settled between Mesquite Sky and the counterparty. If the tracking account balance is less than zero, then Mesquite Sky shall pay the counterparty the absolute value of the tracking account balance. As of both December 31, 2023 and

2022, Mesquite Sky recorded a liability for the tracking account balance of $12.0 million. As of

December 31, 2023, a subsidiary of Lighthouse Renewable Class A LLC, issued a letter of credit in favor of the hedge counterparty for $12.2 million.

(b) Virtual Power Purchase Agreements

Mesquite Sky is party to the following amended renewable energy purchase agreements, referred to as virtual power purchase agreements, or VPPAs, which provide for Mesquite Sky 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, Mesquite Sky has guaranteed certain availability that if not achieved could result in the payment of shortfall amounts. See note 2(j) *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)] Mesquite Sky issued surety bonds in favor of Deere & Company for $11.1 million as of December 31, 2023.

[(c)] A subsidiary of Lighthouse Renewable Class A LLC, on behalf of Mesquite Sky, issued a letter of credit in favor of Whirlpool Corporation for $5.7 million as of December 31, 2023, which expires on December 17, 2024.

(c) Turbine Supply and Construction Agreements

Mesquite Sky commenced commercial operations on December 1, 2021 and had 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.

Mesquite Sky contracted with Blattner Energy, Inc., for the engineering, construction, and commissioning of its Mesquite Sky 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. Mesquite Sky's obligations have been fulfilled under this agreement.

Mesquite Sky 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 was recorded as accounts payable – trade as of December 31, 2022, and remained as of December 31, 2023. In February 2024, Mesquite Sky was released from this payment obligation by Siemens and Mesquite Sky's obligations have been fulfilled under this agreement.

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

Mesquite Sky contracted with Siemens to provide certain warranty, maintenance, and repair services for the wind turbines. Payment provisions provide for an annual service fee per turbine plus escalation paid in quarterly installments. On July 11, 2022, Mesquite Sky's service and warranty agreement with Siemens was amended and restated in its entirety, and further amended on February 23, 2024 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, set annual limitations on availability liquidated damages, and set the term of the agreement to expire on July 11, 2032, unless extended until December 31, 2032, or terminated early as provided for in the agreement. Total gross fees incurred under this agreement were $3.0 million, $2.1 million, and $30 thousand for the years ended December 31, 2023 and 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. For the years ended December 31, 2023 and 2022, and the period from December 17, 2021 through December 31, 2021, Mesquite Sky received settlements of $552 thousand $0, and $0, respectively, for liquidated damages under the service and warranty agreement, which were recorded as a reduction to property, plant and equipment, net on the consolidated balance sheets and to capital expenditures included within cash flows from investing activities. Effective January 1, 2024, Mesquite Sky entered into a settlement agreement with Siemens for liquidated damages under the service and warranty agreement totaling $5.9 million for the period from July 11, 2022 through July 10, 2023 and for anticipated damages for the period from January 1, 2024 through July 10, 2024.

(e) Tax Abatement Agreement

Mesquite Sky is party to an amended Tax Abatement Agreement with Callahan County, Texas, in which Mesquite Sky 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, Mesquite Sky is obligated to make ten annual payments in lieu of taxes to Callahan 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, Mesquite Sky agreed to make improvements to the eligible property as defined in the agreement, which were completed as of COD. Mesquite Sky paid $330 thousand for each of the years ended December 31, 2023 and 2022, which was included in cost of operations in the consolidated statements of operations.

Mesquite Star Special Agreements

(a) ISDA Master Agreement

Mesquite Star Special and a third party are parties to an ISDA 2002 Master Agreement, or Star Hedge Agreement, dated as of May 3, 2019, as amended. Under the Star Hedge Agreement, the Company is party to a 12-year agreement to sell power to a counterparty at a fixed price, which is utilized to manage the risk of fluctuations in market prices on sales of electricity. The energy-related commodity contract is accounted for as a derivative financial instrument as described in note 2(k) *Derivative Financial Instruments.* The Star 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.

Tracking Account

The energy-related commodity contract contains provisions that allows for Mesquite Star Special to receive additional money from the counterparty when the price of electricity at the interconnection point of the Mesquite Star Special Facility is less than the price of electricity at the hub where Mesquite Star Special 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 Mesquite Star Special increase the tracking account liability owed by Mesquite Star Special up to the maximum liability of $10.5 million. When the calculated mismatch amount results in Mesquite Star Special making a payment to the hedge counterparty, the amount may reduce the tracking account balance but only until the tracking account balance is paid in full. The balance in the tracking account accrues interest at Adjusted Secured Overnight Financing Rate, or Adjusted SOFR, plus an adjustment of 0.26161% and an applicable margin of 2.5%. The interest incurred is recorded within interest expense in the consolidated statements of operations. Upon termination of the energy-related commodity contract on May 31, 2032, the tracking account balance will be settled between the Mesquite Star Special and the counterparty. If the tracking account balance is less than zero, then the Mesquite Star Special shall pay the counterparty the absolute value of the tracking account balance. As of December 31, 2023 the Mesquite Star Special recorded a liability for the tracking account balance of $10.5 million.

(b) Virtual Power Purchase Agreements

Mesquite Star Special is party to the following VPPAs, which provide for Mesquite Star Special to receive or pay consideration for the delivery of electricity to the interconnection point and to sell the associated 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, Mesquite Star Special has guaranteed certain availability that if not achieved could result in the payment of shortfall amounts. See note 2(j) *Revenue Recognition,* for information on payment of availability damages.

VPPA offtaker	Effective date	Contract capacity (MW)	COD	VPPA term [(a)]
Brown University [(b)]	1/30/2019	8	5/26/2020	15 years
Cisco Systems, Inc. [(b)]	2/15/2019	10	4/09/2020	12 years
Ecolab Inc. [(c)]	9/14/2018	100	4/09/2020	15 years
Intuit Inc. [(b)]	11/20/2018	10	4/09/2020	12 years
Lowe's Companies, Inc. [(b)]	4/27/2018	100	5/26/2020	12 years
		228		

[(a)] VPPA term commences first calendar day immediately following COD.

[(b)] Clearway Energy Operating LLC provided a guaranty of timely payment in full of all amounts due and payable or to become due and payable by Mesquite Star Special to the offtaker through the earlier of termination of contract and payment of all obligations, delivery of replacement guaranty or letter of credit, or end of the VPPA term. The guaranties are capped at a total amount of $5.6 million.

[(c)] Clearway Energy Operating LLC issued a letter of credit in favor of Ecolab Inc. for $7.5 million as of December 31, 2023 which expires on September 1, 2024. In addition, Clearway Energy Group provided a guaranty of timely payment of all amounts due and payable or to become due and payable by Mesquite Star Special to Ecolab Inc. through the earliest of the termination or expiration of the contract. This guaranty is capped at $6.6 million.

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

Mesquite Star Special is contracted with Siemens to provide certain warranty, maintenance, and repair services for the 118 wind turbines. Payment provisions provide for an annual service fee per turbine plus escalation paid in quarterly installments. On February 23, 2024, the agreement was amended to provide for adjustments to the annual service fee per turbine, availability thresholds, and annual limitations on availability liquidated damages. The term of the agreement expires on July 11, 2027, unless extended through December 31, 2032, or terminated early as provided for in the agreement. Total gross fees incurred under this agreement were $2.0 million for the year ended December 31, 2023. 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. Effective January 1, 2024, Mesquite Star Special entered into a settlement agreement with Siemens for liquidated damages under the service and warranty agreement totaling $1.7 million for the period from July 11, 2022 through July 10, 2023 and for anticipated damages for the period from January 1, 2024 through July 10, 2024.

On September 27, 2023, Mesquite Star Special entered into a settlement agreement with Siemens for settlement of a dispute regarding the power curve guarantee provided for under a related turbine supply and commissioning agreement. Pursuant to the terms of the turbine supply and commissioning agreement, Siemens paid Mesquite Star Special $7.3 million in liquidated damages, which was recorded as a reduction to property, plant, and equipment, net on the consolidated balance sheet as of December 31, 2023, and to capital expenditures included within cash flows from investing activity.

(d) Tax Abatement Agreements

Mesquite Star Special is party to ten-year property tax abatement agreements with Fisher County, Texas for a property tax limitation based on the certified appraised value of certain eligible property within Fisher County from January 1, 2020 through December 31, 2029. As consideration for the abatement under certain of the agreements, Mesquite Star Special made payments totaling $4.9 million that are being amortized straight line over January 1, 2020 through December 31, 2029. Amortization is recorded as part of cost of operations in the consolidated statements of operations. At December 31, 2023, $486 thousand was recorded to prepayments and other current assets and $2.4 million was recorded to other non-current assets on the Company's consolidated balance sheets. Mesquite Star Special is also obligated to make annual payments to Fisher County as defined in the remaining agreements beginning on January 1, 2020 through December 31, 2029, which are recorded as part of cost of operations in the consolidated statements of operations.

TSN1 Agreements

(a) Virtual Power Purchase Agreement

TSN1 is party to a VPPA which provides for TSN1 to receive or pay consideration for the delivery of electricity to the interconnection point and to sell the associated RECs based on the difference between the fixed price per MWh specified in the VPPA 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. On an aggregate year-to-date basis, lost revenue attributable to negative floating prices is monitored. To the extent that year-to-date lost revenue exceeds the negative price lost revenue cap of $453 thousand, the buyer is obligated to make payment to TSN1. Under the terms of the VPPA, TSN1 has guaranteed certain availability that if not achieved could result in the payment of shortfall amounts.

VPPA offtaker	Effective date	Contract capacity (MW)	COD	VPPA term [a]
Verizon Communications	06/28/2023	142	12/01/2023	18 years

[a] VPPA term commences on January 1, 2024 and is effective until the day prior to the 18th anniversary of COD.

(b) Renewable Energy Certificate Purchase and Sale Agreements

TSN1 is party to renewable energy certificate purchase and sale agreements with third parties for the sale of RECs generated from 2026 through 2037. RECs are sold at a fixed price up to a guaranteed contract quantity as defined in the agreements. TSN1 has guaranteed certain performance output that if not achieved could result in the payment of shortfall amounts. Termination of the agreements may be allowed under specific circumstances, such as under an event of default.

(c) Balance of Plant Engineering, Procurement and Construction, or EPC, Agreement

TSN1 is party to a fixed-price EPC agreement with M.A. Mortenson Company, or Mortenson, for the engineering, construction, and commissioning of the TSN1 Facility. No costs were incurred by the Company in 2023 subsequent to the acquisition of TSN1. Amounts due to Mortenson of $10.2 million are included in accounts payable – trade as of December 31, 2023, of which $9.3 million was paid during the first quarter of 2024.

(d) Equipment Supply Agreement

Prior to the Company's acquisition of TSN1, TSN1 purchased solar photovoltaic energy generating modules from Waaree Energies Limited, or Waaree. On December 23, 2023, TSN1 entered into a settlement agreement with Waaree to receive $4.5 million in liquidated damages for equipment not delivered pursuant to the terms of the equipment supply agreement. The amount is included within accounts receivable – trade on the Company's consolidated balance sheet as of December 31, 2023, and was received in February 2024.

(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 the 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, 2023 and 2022 (in thousands):

	2023	2022
Cash	$ 3,551	$ 4,981
Restricted cash	33,683	8,138
Cash and restricted cash shown in the consolidated statements of cash flows	$ 37,234	$ 13,119

Restricted cash for 2023 primarily consists of funds held in reserves for performance obligations related to the completion of construction for the TSN1 Facility and the Mesquite Sky Facility, of which $20.0 million has been released during the first quarter of 2024. In addition, 2023 includes funds received from Siemens in accordance with the settlement agreement described in Mesquite Star Special note 1(c), *Siemens Gamesa Renewable Energy, Inc. Service and Warranty Agreement.* Restricted cash for 2022 primarily consisted of funds held in reserves for performance obligations related to the completion of construction for the Mesquite Sky Facility.

(c) Accounts Receivable – Trade

Trade accounts receivable are recorded at the invoiced amount and do not bear interest. The Company's energy revenue related customers typically receive invoices monthly with payment due within 30 days. There was no allowance for credit losses as of December 31, 2023 and 2022.

(d) 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.

(e) 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, 2023, 2022 and 2021.

(f) Debt Issuance Costs

Debt issuance costs consist of legal fees and closing costs incurred by TSN1 in obtaining its financing. These costs are capitalized and amortized as interest expense using the effective interest method over the term of the related debt, and are presented on the consolidated balance sheets as a direct deduction from the carrying amount of the related debt. There was no amortization expense recorded for the year ended December 31, 2023.

(g) Intangible Asset

Intangible asset represents the fair value of a software license acquired. The Company recognizes specifically identifiable intangible assets when specific rights and contracts are acquired. The asset is amortized on a straight-line basis over the term of the VPPA through 2041. See note 6, *Intangible Asset,* for additional information.

(h) 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 has elected to apply the practical expedient to not separate lease and non-lease components of the leases.

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 12, *Leases* for information on the Company's leases.

(i) 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 (characterized as an income tax for U.S. GAAP purposes) to which the Company's subsidiaries are subject. For the years ended December 31, 2023 and 2022 and the period from December 17, 2021 through December 31, 2021, the Company had no current income tax expense and has calculated deferred income tax (benefit) expense of $(1.7) million, $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, 2023, 2022 and 2021 by the Company.

(j) Revenue Recognition

Virtual Power Purchase Agreements

The Company accounts for energy revenue recognized under the VPPAs 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 years ended December 31, 2023 and 2022 and the period from December 17, 2021 through December 31, 2021, Mesquite Sky incurred $295 thousand, $1.5 million, and $0, respectively, in availability damages to the offtakers under the VPPAs. For the year ended December 31, 2023, Mesquite Star Special incurred $96 thousand in availability damages to the offtakers under the VPPAs. Availability damages were recorded as a reduction to operating revenues in the consolidated statements of operations.

Merchant Revenue

The Company 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 facilities and simultaneously delivered to ERCOT.

Unbundled Renewable Energy Certificates/Credits, or RECs

Effective March 16, 2022, Mesquite Sky 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

Included in other non-current assets on the consolidated balance sheets are capitalized costs to acquire the VPPAs at the Mesquite Sky Facility. 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 energy-related commodity contracts related to Mesquite Sky and Mesquite Star Special as derivative instruments in accordance with ASC 815, *Derivatives and Hedging,* or ASC 815, as described in note 2(k) below. As a result, the Company must mark the contracts to fair value each reporting period. The change in fair value of the energy-related commodity contracts is recorded to operating revenues. Also see note 4, *Accounting for Derivative Instruments and Hedging Activities* for further information on the energy-related commodity contracts.

Disaggregated Revenues

The following table summarizes the Company's disaggregation of revenue from contracts with customers for the years ended December 31, 2023 and 2022 and the period from December 17, 2021 through December 31, 2021 (in thousands):

	2023	2022	2021
Energy revenues [(a) (b)]	$ 4,038	$ (658)	$ 27
REC revenues	1,075	1,364	—
Other revenues	(177)	(23)	—
Contract amortization	(154)	(154)	(6)
Mark-to-market for derivative instruments [(c)]	(6,217)	(34,425)	1,199
Total operating revenues	$ (1,435)	$ (33,896)	$ 1,220

[(a)] As of December 31, 2023 and 2022, $391 thousand and $463 thousand, respectively, is included in accounts payable - trade related to amounts due to the counterparties of the VPPAs and the qualified scheduling entity.

[(b)] Includes settlement fees of $324 thousand and $3.1 million in 2023 and 2022, respectively, 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, 2023 and 2022 (in thousands):

	2023	2022
Accounts receivable - contracts with customers	$ 848	$ 274
Accounts receivable - derivative instruments	112	803
Accounts receivable - other [(a)]	8,762	—
Total accounts receivable - trade	$ 9,722	$ 1,077

[(a)] Included in 2023 are insurance proceeds, as described in note 5, *Property, Plant, and Equipment,* and liquidated damages due from Waaree, as described in note 1, *TSN1 Agreements (d) Equipment Supply Agreement.*

(k) *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 long-term energy-related commodity contracts which are not designated as cash flow or fair value hedges. Settlements and changes in the fair value of the energy-related commodity contracts are recognized in operating revenues. The Company uses interest rate swaps to manage its interest rate exposure on long-term debt, which are not designated as cash flow hedges. Changes in the fair value of non-hedge derivatives are immediately recognized in earnings. Cash flows from derivatives not designated as cash flow hedges are classified as operating activities in the consolidated statements of cash flows. See note 4, *Accounting for Derivative Instruments and Hedging Activities*, for more information.

(l) *Risks and Uncertainties*

Financial instruments which potentially subject the Company to concentrations of credit risk consist primarily of accounts receivable – trade and derivative financial instruments. Accounts receivable are concentrated with commercial customers and a private university. 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 facilities 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.

occurrences affecting a power generation facility or its energy purchasers.

Should a generation facility fail to perform at the required levels, or other unplanned disruptions occur, the facility may be forced to fulfill an underlying contractual obligation by purchasing electricity at higher prices. In addition, the Company's facilities may be exposed, based on specific contractual terms, to a locational basis risk resulting from a difference in the price received for generation sold at the location where the power is generated and the price paid for generation purchased at the contracted delivery point, which could lead to potential lower revenues in circumstances where the price received is lower than the price that is paid.

(m) 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, notes payable, notes payable – affiliate, 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 are classified as Level 1 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, 2023 and 2022 is as follows (in thousands):

	2023		2022	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Long-term debt, including current portion [a]	$ 101,696	$ 100,878	$ —	$ —

[a] Excludes net debt issuance costs, as shown in note 7, *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 uses readily observable inputs, such as forward interest rates and contractual terms to estimate fair value.

Derivative instruments, consisting of energy-related commodity contracts, 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 energy-related 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 interest rate swaps is calculated using the bilateral method based on published default probabilities. 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. For interest rate swaps and commodities, 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, 2023, the non-performance reserves were an $10.9 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.*

(n) 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.

(o) 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 9, *Asset Retirement Obligations*, for further information.

(p) 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. In addition, in certain circumstances, the Company and its partners in the tax equity arrangements agree that certain tax benefits are to be utilized outside of the tax equity arrangements, which may result in differences in the amount an investor would hypothetically receive at the initial balance sheet date calculated strictly in accordance with related contractual agreements. These differences are recognized in the consolidated statements of operations using a systematic and rational method over the period during which the investor is expected to achieve its target return.

which the investor is expected to achieve its target return.

(q) Comprehensive Income (Loss)

The Company's total comprehensive income (loss) is equal to net income (loss) for the years ended December 31, 2023 and 2022 and the period from December 17, 2021 through December 31, 2021.

(r) 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 energy-related commodity contract derivatives. Actual results may differ from those estimates.

(s) Reclassifications

Certain prior year amounts have been reclassified for comparative purposes.

(3) Acquisitions

Texas Solar Nova 1

On December 28, 2023, the Company acquired TSN1 BL Borrower Holdco LLC, or TSN1 BL Borrower, the indirect owner of TSN1, from Clearway Renew. The Company's members each contributed their portion of the purchase price for their respective interest in TSN1 BL Borrower. Lighthouse Renewable Class A LLC contributed cash consideration of $22.8 million and HASI contributed cash consideration of $108.7 million. In addition, the Company reflected contributions made by Clearway Renew to fund construction reserves of $18.3 million, and $22.8 million contributed back to the Company from Lighthouse Renewable Class A LLC and utilized to repay long-term debt, as cash contributions in the consolidated statements of equity.

TSN1 BL Borrower, through its wholly-owned subsidiary, TSN1 Class B Member, is the primary beneficiary and consolidates its interests in the tax equity fund, TSN1 TE Holdco, that holds the TSN1 Facility, as further described in note 10, *Variable Interest Entities*. The acquisition was determined to be an asset acquisition and the Company consolidates TSN1 BL Borrower 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 sum of the purchase price paid by Lighthouse Renewable Class A and the historical cost of the Company's net liabilities assumed of $5.9 million was recorded as an adjustment to contributed capital on the Company's consolidated statements of equity.

The following is a summary of assets and liabilities transferred in connection with the acquisition as of December 28, 2023 (in thousands):

		2023
Assets:		
Cash	$	2,785
Property, plant, and equipment, net		361,650
Right-of-use assets, net		20,892
Derivative assets		4,405
Other current and non-current assets		6,299
Total assets acquired		396,031
Liabilities:		
Long-term debt [a]		348,919
Long-term lease liabilities		18,535
Other current and non-current liabilities		34,482
Total liabilities assumed		401,936
Net liabilities assumed	$	(5,905)

[a] Includes a $90.0 million construction loan, $109.1 million cash equity bridge loan and a $150.6 million tax equity bridge loan, offset by $0.8 million in unamortized debt issuance costs. See note 7, *Long-term Debt*, for further discussion of the long-term debt assumed in the acquisition.

Mesquite Sky

On December 17, 2021, the Company acquired the Class B membership interests in Mesquite Sky Holding LLC, or Mesquite Sky Holding, the indirect owner of Mesquite Sky, from Clearway Renew. Mesquite Sky Holding is a direct subsidiary of Lighthouse 2 and was a partnership between Lighthouse 2 and Apex Clean Energy Holdings, LLC. The Company's members each contributed their portion of the purchase price, for their respective interest in Mesquite Sky Holding. Lighthouse Renewable Class A 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. On March 18, 2022, the Company acquired 100% of the Class A interests of Mesquite Sky Holding owned by Apex Clean Energy Holdings, LLC for $12.1 million. 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.

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 Facility, as further described in note 10, *Variable Interest Entities*. 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 facility 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) Interest Rate Swaps

TSN1 has entered into interest rate swaps, intended to hedge the risks associated with floating rate debt. TSN1 pays its counterparties the equivalent of a fixed interest payment on a predetermined notional amount, and quarterly, TSN1 receives the equivalent of a floating interest payment based on Term Secured Overnight Financing Rate, or Term SOFR, calculated on the same notional amount. The notional amount of the interest rate swaps decrease in proportion to the principal balance of the loan. The interest rate swaps have a fixed rate of 2.922% and mature in 2043.

(b) Energy-Related Commodity Contracts

Effective November 27, 2019, Mesquite Sky executed a 12-year agreement to sell power to a counterparty at a fixed price, that started on October 1, 2021. The energy-related commodity contract is intended to economically hedge Mesquite Sky Facility's forecasted output through September 30, 2033.

Effective May 3, 2019, Mesquite Star Special executed a 12-year agreement to sell power to a counterparty at a fixed price, that started on June 1, 2020. The energy-related commodity contract is intended to economically hedge Mesquite Star Special Facility's forecasted output through May 31, 2032.

(c) Volumetric Underlying Derivative Transactions

The following table summarizes the net notional volume buy/(sell) of the Company's open derivative transactions broken out by commodity as of December 31, 2023 and 2022:

		Total Volume (in thousands)	
Commodity	**Units**	**2023**	**2022**
Power	MWh	(8,079)	(4,326)
Interest	Dollars	$ 95,686	$ —

(d) 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, 2023 and 2022 (in thousands):

		2023		2022
Derivatives not designated as cash flow hedges:				
Derivative assets:				
Interest rate contracts current	$	1,644	$	—
Interest rate contracts long-term		2,761		—
Total derivative assets	$	4,405	$	—
Derivative liabilities:				
Energy-related commodity contracts current	$	23,958	$	9,236
Energy-related commodity contracts long-term		142,200		67,421
Total derivative liabilities	$	166,158	$	76,657

(e) Derivative Fair Value Measurements

The following table reconciles the beginning and ending balance of the energy-related commodity contracts that are recognized at fair value on the Company's consolidated balance sheets using significant unobservable inputs (Level 3) for the years ended December 31, 2023 and 2022 and the period from December 17, 2021 through December 31, 2021 (in thousands):

		2023		2022		2021
Beginning balance	$	(76,657)	$	(42,232)	$	(43,431)
Settlements		13,854		17,004		—
Total (losses) gains for the period included in earnings		(20,071)		(51,429)		1,199
Transfer from affiliate		(83,284)		—		—
Ending balance	$	(166,158)	$	(76,657)	$	(42,232)
Change in unrealized losses included in operating revenues for derivatives held as of December 31,	$	(20,071)	$	(51,429)	$	1,199

The following tables quantify the significant unobservable inputs used in developing the fair value of the Company's Level 3 energy-related commodity contracts as of December 31, 2023 and 2022:

December 31, 2023

Fair Value				Input/Range		
Assets (in thousands)	**Liabilities (in thousands)**	**Valuation technique**	**Significant unobservable input**	**Low**	**High**	**Weighted average**
$ —	$ (166,158)	Discounted cash flow	Forward market price (per MWh)	$ 18.18	$ 81.62	$ 38.15

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

The following table provides the impact on the fair value measurements to increases/(decreases) in significant unobservable inputs as of December 31, 2023:

Type	Significant observable input	Position	Change in input	Impact of fair value measurement
Energy-related commodity contracts	Forward market price power	Sell	Increase/(Decrease)	Lower/(Higher

(f) Impact of Interest Rate Swaps on the Consolidated Statements of Operations

Mark-to-market gains and losses related to the Company's interest rate swaps are recorded to interest expense. There was no impact to the consolidated statements of operations during 2023.

(5) Property, Plant, and Equipment

The Company's major classes of property, plant, and equipment as of December 31, 2023 and 2022 were as follows (in thousands):

	2023	2022	Depreciable lives
Plant equipment	$ 1,159,379	$ 358,378	10 - 35 years
Buildings	5,308	2,941	28 - 30 years
Land improvements	25,800	16,189	20 - 25 years
Total property, plant, and equipment	1,190,487	377,508	
Less accumulated depreciation	(104,756)	(19,449)	
Net property, plant, and equipment	$ 1,085,731	$ 358,059	

In October 2023, the Company retired one wind turbine at the Mesquite Star Special Facility that was determined to be irreparably damaged by a fire that occurred in March 2023 and recorded a loss on disposal of assets of $2.4 million. In December 2023, the Company recognized insurance proceeds of $4.3 million, which was recorded as an offsetting gain on disposal of assets and included in cost of operations in the consolidated statements of operations. At December 31, 2023, $4.3 million of insurance proceeds are included in accounts receivable – trade on the consolidated balance sheet, of which $545 thousand was subsequently received during the first quarter of 2024.

As discussed in note 1, *Nature of Business,* Mesquite Star Special recorded liquidated damages of $7.3 million as a reduction to property, plant, and equipment, net on the consolidated balance sheet as of December 31, 2023, pursuant to a settlement agreement with Siemens under the turbine supply and commissioning agreement.

(6) Intangible Asset

As of December 31, 2023 and 2022, the intangible asset subject to amortization consists of the following (in thousands):

	2023	2022
Software license	$ 1,266	$ —
Less accumulated amortization	—	—
Net intangible asset	$ 1,266	$ —

There was no amortization expense recorded for the years ended December 31, 2023 and 2022 and the period from December 17, 2021 through December 31, 2021. Amortization will begin in January 2024 and will be recorded to cost of operations in the consolidated statements of operations. Estimated amortization expense for each of the next five years is $70 thousand.

(7) Long-Term Debt

On December 28, 2023, as part of the acquisition of TSN1, as further described in note 3, *Acquisitions,* the Company assumed a financing agreement which included a $90.0 million construction loan, a $109.1 million cash equity bridge loan, and a $150.6 million tax equity bridge loan, offset by $810 thousand in unamortized debt issuance costs. At the acquisition date, the tax equity investor contributed $148.2 million, which was utilized, along with $22.8 million that was contributed back to the Company by Lighthouse Renewable Class A LLC, and the $108.7 million proceeds from the cash equity investor, to repay the cash equity bridge loan and the tax equity bridge loan, and to pay associated fees. Also at acquisition date, the construction loan was converted into a non-recourse term loan in the amount of $101.7 million, which includes an additional borrowing of $11.7 million. The final maturity date of the term loan is scheduled for December 28, 2028. On March 15, 2024, the financing agreement was amended, as further discussed in note 13, *Subsequent Events*.

The term loan bears interest at a rate of Term SOFR plus an applicable margin, which is 1.75% per annum until the third anniversary of the term conversion, and 1.875% per annum thereafter through the term loan maturity date. The loans are secured by the Company's interests in the TSN1 Facility.

The financing agreement also provides for a letter of credit facility of up to $55.4 million, consisting of $14.2 million to support power purchase agreements, $6.3 million to support debt service requirements, and $34.9 million to support interconnection obligations. The Company pays on a quarterly basis a letter of credit fee ranging from 1.375% to 1.75% per annum on issued amounts under the letter of credit facility, a portion of which escalates by 0.125% on the third anniversary of term conversion. In addition, the Company pays quarterly commitment fees on any of the unused portions of the letter of credit commitments equal to 0.375% per annum. As of December 31, 2023, the amount of outstanding letters of credit totaled $55.2 million, of which $14.2 million supports the VPPA, $6.1 million supports debt service requirements, and $34.9 million supports interconnection obligations.

The Company entered into interest rate swap agreements to hedge the majority of the variable interest rate exposure under the term loan. For further details regarding the interest rate swap agreements, see note 4, *Accounting for Derivative Instruments and Hedging Activities.*

As of December 31, 2023 and 2022, long-term debt consists of the following (in thousands):

	2023	2022
Total long-term debt (including current maturities)	$ 101,696	$ —
Less current maturities	(2,296)	—
Less debt issuance costs, net	(810)	—
Long-term debt	$ 98,590	$ —

Annual payments based on the maturities of the Company's debt as of December 31, 2023 are summarized as follows (in thousands):

Year ending December 31:		
2024	$	2,296
2025		3,079
2026		3,458
2027		3,573
2028		89,290
	$	101,696

(8) Notes Payable

Intercompany demand promissory notes issued by HASI are recorded as notes payable and intercompany demand promissory notes issued by Lighthouse Renewable Class A are recorded as notes payable – affiliate on the consolidated balance sheets. The notes can be repaid in whole or in part at any time and bear interest at 5.75% per annum, compounded quarterly. Interest is payable quarterly or at such other times as may be agreed upon by payor and payee.

Effective August 31, 2023, pursuant to the terms of the Lighthouse Assignment and Assumption Agreement, the Company acquired and assumed from Lighthouse Renewable Holdco LLC, a separate partnership amongst the same members as the Company and another consolidated subsidiary of Lighthouse Renewable Class A, all of Lighthouse Renewable Holdco LLC's rights, including any accrued and unpaid interest, and obligations in its capacity as payor under intercompany demand promissory notes, referred to as member loans. The member loans transferred to the Company, relating to the Mesquite Star Special Facility, consisted of principal and accrued interest of $8.6 million payable to HASI and $9.0 million payable to Lighthouse Renewable Class A. In connection with the transfer of the member loans, pursuant to a Lighthouse Members Assignment and Assumption Agreement, 75% of the member loans payable to Lighthouse Renewable Class A were assigned to HASI, in the amount of $6.7 million.

During 2023, pursuant to permitted working capital loans under the LLCA, member loans were issued of $2.9 million from HASI and $2.9 million from Lighthouse Renewable Class A in support of the Mesquite Sky Facility.

(9) 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, 2023 (in thousands):

Balance as of December 31, 2022	$	1,022
Liabilities transferred from affiliate		4,916
Acquired liabilities		12,530
Accretion expense		182
Balance as of December 31, 2023	$	18,650

(10) Variable Interest Entities, or VIEs

The Company has a controlling financial interest in certain entities which have been identified as VIEs under ASC 810, *Consolidations.* These arrangements are related to tax equity arrangements entered into with third parties in order to monetize certain tax credits associated with wind and solar facilities. Under the Company's arrangements that have been identified as VIEs, the third-party investors are allocated earnings, tax attributes, and distributable cash in accordance with the respective limited liability company agreements. Many of these arrangements also provide a mechanism to facilitate achievement of the investor's specified return by providing incremental cash distributions to the investor at a specified date if the specified return has not yet been achieved. The Company indirectly holds the Class B membership interests in several tax equity funds, which include Mesquite Sky TE Holdco, Mesquite Star TE Holdco and TSN1 TE Holdco.

The following is a summary of significant activity during 2023, 2022 and 2021 related to the Company's consolidated VIEs:

Mesquite Sky TE Holdco

As described in note 3, *Acquisitions*, on December 17, 2021, the Company acquired Mesquite Sky Holding, the indirect owner of the Class B membership interests of Mesquite Sky TE Holdco, a tax equity fund that owns the Mesquite Sky Facility. The Company, through its ownership of Mesquite Sky Holding, consolidates Mesquite Sky TE Holdco, which is a VIE, as it is the primary beneficiary through its role as the managing member. The Class A membership interests in Mesquite Sky TE Holdco are held by a tax equity investor, BHE B Tax Equity Holdings, and are reflected as noncontrolling interest on the Company's consolidated balance sheets.

Mesquite Star TE Holdco

As described in note 1, *Mesquite Star Special LLC*, on August 31, 2023, the Company was transferred the ownership interest in Mesquite Star Class B, the owner of the Class B membership interests of Mesquite Star TE Holdco, a tax equity fund that owns the Mesquite Star Special Facility. The Company, through its ownership of Mesquite Star Class B, consolidates Mesquite Star TE Holdco, which is a VIE, as it is the primary beneficiary through its role as the managing member. The Class A membership interests in Mesquite Star TE Holdco are held by a tax equity investor, MidAmerican, and are reflected as noncontrolling interest on the Company's consolidated balance sheets.

TSN1 TE Holdco

As described in note 3, *Acquisitions*, on December 28, 2023, the Company acquired TSN1 BL Borrower, the indirect owner of the Class B membership interests of TSN1 TE Holdco, a tax equity fund that owns the TSN1 Facility. The Company, through its ownership of TSN1 BL Borrower, consolidates TSN1 TE Holdco, which is a VIE, as it is the primary beneficiary through its role as the managing member. The Class A membership interests in TSN1 TE Holdco are held by a tax equity investor, JPMorgan Chase, and are reflected as noncontrolling interest on the Company's consolidated balance sheets.

Summarized financial information for the Company's consolidated VIEs as of December 31, 2023 consisted of the following (in thousands):

	Mesquite Sky TE Holdco	Mesquite Star TE Holdco	TSN1 TE Holdco
Other current and non-current assets	$ 44,411	$ 44,936	$ 44,841
Property, plant, and equipment, net	344,521	379,560	361,650
Intangible asset	—	—	1,266
Total assets	388,932	424,496	407,757
Current liabilities	29,215	28,069	15,534
Non-current liabilities	118,684	119,852	31,013
Total liabilities	147,899	147,921	46,547
Net assets	$ 241,033	$ 276,575	$ 361,210

Summarized financial information for the Company's consolidated VIE as of December 31, 2022 consisted of the following (in thousands):

		Mesquite Sky TE Holdco
Other current and non-current assets	$	49,569
Property, plant, and equipment, net		358,059
Total assets		407,628
Current liabilities		19,162
Non-current liabilities		115,494
Total liabilities		134,656
Net assets	$	272,972

(11) Related Party Transactions

The Company has the following related party transactions and relationships, in addition to intercompany demand promissory notes described in note 8, *Notes Payable*. 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 years ended December 31, 2023 and 2022 and the period from December 17, 2021 through December 31, 2021, Lighthouse 2 incurred costs of approximately $98 thousand, $114 thousand and $0, respectively, under this agreement. These costs are included in cost of operations in the consolidated statements of operations.

Construction Management Agreement

Mesquite Sky 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 Mesquite Sky 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. Mesquite Sky's obligations have been fulfilled under this agreement.

Operation & Maintenance Agreement

Clearway Renewable Operation & Maintenance LLC, or RENOM, a subsidiary of Clearway Energy Group, provides operation and maintenance services to the facilities for the balance of plants not covered by maintenance and service agreements with third parties, pursuant to Operation and Maintenance Agreements, or O&M Agreements. The O&M agreements have an initial term expiring on May 17, 2029 for Mesquite Star Special, December 17, 2031 for Mesquite Sky, and October 24, 2032 for TSN1, with provisions for automatic five-year extensions until terminated. The O&M Agreements allow for reimbursement of mobilization expenses, commissioning and start-up expenses, and direct operating and capital improvement expenses, including a five percent markup. Additionally, there is an annual profit fee, subject to performance factors and annual escalation. On October 23, 2023, the Mesquite Sky and Mesquite Star Special O&M Agreements were amended and restated in their entirety, effectively retroactive to July 11, 2022. The amended and restated agreements provided for a downward adjustment to their annual profit fee per turbine. For the years ended December 31, 2023 and 2022 and the period from December 17, 2021 through December 31, 2021, the Company incurred costs of approximately $0.9 million, $1.6 million and $0, respectively, under these agreements. These costs are included in cost of operations in the consolidated statements of operations.

Project Administrative Agreement

Clearway Asset Services LLC provides administrative services to the facilities pursuant to Project Administrative Agreements. The agreements have an initial term of ten years commencing on May 7, 2019 for Mesquite Star Special, December 30, 2020 for Mesquite Sky, and October 24, 2022 for TSN1, with provisions for extension until terminated. The agreements provide for the payment of fixed fees that escalate annually, as defined in the agreements, and for the reimbursement of reasonable expenses incurred in connection with its services. For the years ended December 31, 2023 and 2022 and the period from December 17, 2021 through December 31, 2021, the Company incurred costs of approximately $422 thousand, $324 thousand and $12 thousand, respectively, under these agreements. These costs are included in cost of operations in the consolidated statements of operations.

(12) Leases

The facilities owned by the Company entered into various land lease and easement agreements. The terms and conditions for these leases vary by the type of underlying asset. Lease costs are included in cost of operations in the consolidated statements of operations. During 2022, Mesquite Sky 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 years ended December 31, 2023 and 2022 and the period from December 17, 2021 through December 31, 2021 was comprised of the following (in thousands):

	2023	2022	2021
Operating lease cost - Fixed	$ 2,483	$ 1,797	$ 69
Operating lease cost - Variable	610	343	—
Total lease cost	$ 3,093	$ 2,140	$ 69

Operating lease information as of December 31, 2023 and 2022 was as follows (in thousands, except term and rate):

	2023	2022
Right-of-use assets - operating leases, net	$ 82,921	$ 33,597
Short-term lease liability - operating leases	$ 524	$ 168
Long-term lease liability - operating leases	85,361	34,016
Total lease liabilities	$ 85,885	$ 34,184
Weighted average remaining lease term	30 years	34 years
Weighted average discount rate	3.97 %	3.50 %

	Year ended December 31,	
	2023	2022
Cash paid for operating leases	$ 2,118	$ 1,360

Minimum future rental payments of operating lease liabilities as of December 31, 2023 are as follows (in thousands):

2024	$ 3,922
2025	4,085
2026	4,139
2027	4,309
2028	4,309
Thereafter	132,799
Total lease payments	153,563
Less imputed interest	(67,678)
Total lease liability - operating leases	$ 85,885

(13) Subsequent Events

On March 15, 2024, TSN1 TE Holdco acquired Texas Solar Nova 2, LLC, or TSN2, a 200 MW solar facility that is located in Kent County, Texas, from TSN2 Holdings, LLC, a subsidiary of Clearway Renew, pursuant to a MIPA, dated August 30, 2023. TSN1 TE Holdco's purchase price consisted of \$111.9 million paid to the seller, \$16.7 million of which was contributed by Lighthouse Renewable Class A LLC and \$95.2 million was contributed by HASI. The tax equity partner, JPMorgan Chase, contributed \$130.3 million in connection with the acquisition. On March 15, 2024, the net proceeds from the acquisition of TSN2 were contributed back to the Company from Clearway Energy Group and were utilized to repay the cash equity bridge loan and the tax equity bridge loan that were transferred in connection with the acquisition, along with related fees.

Also on March 15, 2024, the Company's financing agreement was amended to merge the project-level debt of TSN1 and TSN2 as a combined term loan. As a result, (i) the term loan facility increased by \$80.3 million and the maturity date was extended to March 15, 2029 and (ii) the LC facility increased by \$35.4 million, consisting of \$11.4 million to support power purchase agreements, \$5 million to support debt service requirements, \$11.9 million to support interconnection obligations, and \$7.1 million to support REC agreements, and the maturity date is extendable to March 15, 2029.

The Company has evaluated subsequent events from the balance sheet date through March 28, 2024, the date at which the consolidated financial statements were available to be issued, and determined that there are no other items to disclose other than the events described elsewhere in the notes to consolidated financial statements.