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# Five Point Backs Data-Center Site Developer PowerBridge

## The private-equity firm is committing as much as $1 billion to the recently formed PowerBridge to support projects in the Permian Basin

By LUIS GARCIA

Five Point Infrastructure has committed as much as $1 billion to PowerBridge, a recently formed developer of data-center locations in the Permian Basin, as the private-equity firm seeks to attract technology companies to a sparsely populated region best known for producing oil and gas from shale rock.

PowerBridge plans to build locations suitable for the installation of data centers by tech companies and other users, providing them with access to power supplies and broadband communications networks as well as water for cooling, said David Capobianco, Five Point's chief executive and managing partner. The Houston-based firm recently changed its name from Five Point Energy.

PowerBridge will build its data-center parks in locations controlled by property manager LandBridge, another Five Point-backed company, as well as on other sites, Capobianco said. Publicly traded LandBridge owns more than 270,000 acres, equivalent to around 422 square miles, mostly across the Delaware Basin, a subregion of the Permian that includes parts of West Texas and southeastern New Mexico.

The land manager and PowerBridge are both part of an "ecosystem" for data-center and other infrastructure development that Five Point is looking to create in the over 75,000 square-mile Permian Basin, while also serving local oil-and-gas producers, Capobianco said. Roughly a quarter of the state of Texas lies within the Permian Basin, but the region houses just 4% of the state's population, according to a regional oil industry group.

Other Five Point portfolio companies involved in the effort include Northwind Midstream, an operator of gas-treating and carbon-storage systems, and water-management company WaterBridge, whose pipelines handle more than 100 million gallons of water produced daily from Permian oil wells. PowerBridge plans to desalinate that water and make it accessible to cool data-center equipment, Capobianco said.

Pump jacks draw oil and gas from wells scattered across the vast Permian Basin.

"As we approached the opportunity to enable the build-out of data centers on our surface a couple of years ago, what we found was that water is a critical input to the process," he said. "In some cases, you can save 10% to 30% of the power by utilizing water in a cooling capacity."

PowerBridge is led by Alex Hernandez as CEO. He previously had the same role at power company Talen Energy and its subsidiary Cumulus Digital, which developed a 1,200-acre data center campus for Amazon's cloud-computing business in Berwick, Pa., that is directly connected to a Talen Energy nuclear power plant.

The Cumulus project faced hurdles, however, as the Federal Energy Regulatory Commission in November rejected a supply agreement for Talen's nuclear plants to provide electricity to Amazon Web Services' data centers. The FERC ruling followed complaints by two local utilities that such behind-the-meter agreements with large customers increase their costs of maintaining the grid and ultimately lead to higher electricity rates for consumers, according to reports by trade publications. Talen earlier this year appealed the regulator's decision, which FERC reaffirmed in April.

PowerBridge won't likely have those difficulties as it plans to partner with power companies such as NRG Energy to build new plants instead of diverting existing output from the regional grid, Capobianco said. Because data centers can't afford to run out of power, their co-located generators often also have excess capacity that can be fed into the grid, he said.

In addition, Texas has much more favorable regulations and an open market for electricity, Capobianco added. PowerBridge's Hernandez sits on the board of directors of the Electric Reliability Council of Texas, or Ercot, which operates the state's power grid.

"You are building new, dedicated capacity to be able to provide power directly to the data centers," Capobianco said. "It's a completely different situation in Texas" compared with Pennsylvania, he said.

PowerBridge's data-center locations might also use electricity from solar-power installations on LandBridge's properties, but most new plants will be natural gas-fueled as weather-dependent renewable energy still doesn't meet the strict requirements for uninterruptible supplies needed by data centers, he said.

"Renewables add a sustainability element into a data center, but the problem is reliability. They are a partial solution," Capobianco said. "The five-nines reliability that you're able to deliver from a natural gas power plant is really what's critical to run data centers," he added, referring to 99.999%.

Natural gas plants in the region will also take advantage of the abundant and cheap supplies produced in the Permian, Capobianco said. Natural gas produced alongside more valuable crude oil in the area usually trades at a discount compared with benchmark prices, as energy companies often struggle to unload a glut of by-product.

Despite the limited use of renewable energy, PowerBridge's data-center locations will help the environment in various other ways, he said. They will use gas that energy companies might otherwise have to burn off on-site and will also recycle water expelled by oil and gas wells. In addition, Five Point-backed Northwind can sequester the carbon dioxide produced at the power plants, reducing emissions, Capobianco said.

Development in the Permian Basin has been going on for a while, he added, pointing to the billions of dollars the energy industry is sinking into construction at any given moment and the many workers who have moved to the region. New data-center infrastructure will continue the trend, he said.

"Executives will either live in a place like Austin and fly every day, or they'll live in new towns and developments that will surround this kind of infrastructure," he said. "The development of the Permian is not a new concept."