

**BEFORE THE WASHINGTON
UTILITIES & TRANSPORTATION COMMISSION**

In the Matter of the Joint Application of PUGET SOUND ENERGY, ALBERTA
INVESTMENT MANAGEMENT CORPORATION, BRITISH COLUMBIA INVESTMENT
MANAGEMENT CORPORATION, OMERS ADMINISTRATION CORPORATION, AND
PGGM VERMOGENSBEHEER B.V. for an Order Authorizing Proposed Sales of Indirect
Interests in Puget Sound Energy.

DOCKET U-180680

SETTLEMENT TESTIMONY OF J. RANDALL WOOLRIDGE (JRW-1T)

ON BEHALF OF

PUBLIC COUNSEL

January 22, 2019

SETTLEMENT TESTIMONY OF J. RANDALL WOOLRIDGE (JRW-1T)

DOCKET U-180680

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I. INTRODUCTION

Q: Please state your full name, address, and occupation.

A: My name is J. Randall Woolridge, and my business address is 120 Haymaker Circle, State College, PA 16801. A summary of my education, employment, and business experienced is attached to this testimony as Exhibit JRW-2.

Q: Who are you testifying for in this proceeding?

A: I am testifying on behalf of the Public Counsel Unit of the Washington Office of the Attorney General (Public Counsel).

Q: What is the purpose of your testimony in this proceeding?

A: I am testifying in support of the Settlement Stipulation and Agreement (Settlement), filed in this docket on January 15, 2019.

Q: Who are the parties to the Settlement?

A: In addition to Public Counsel, the multiparty Settlement included the following parties in this case: (a) Puget Sound Energy (PSE), (b) Alberta Investment Management Corporation (AIMCo), British Columbia Investment Management Corporation (BCIMC), (c) OMERS Administration Corporation (OMERS), (d) PGGM Vermogensbeheer B.V. (PGGM); (e) the Commission’s regulatory staff (Staff), (f) the Alliance of Western Energy Consumers (AWEC), (g) The Energy Project, and (h) NW Energy Coalition (NVEC). PSE, AIMCo, BCIMC, OMERS, and PGGM are collectively referred to as the “Joint Applicants.” AIMCo, BCIMC, OMERS, and PGGM are collectively referred to as the “Purchasers.” Public Counsel, Staff, AWEC, Energy Project, and NVEC are collectively referred to as the “Settling Parties.” The Washington and Northern Idaho District Council of Laborers (WNIDCL), the International Brotherhood of Electrical Workers Local 77 (IBEW), and the United Association Local 32 of Journeymen

1 and Apprentices of the Plumbing and Pipefitting Industry of the U.S. and Canada
2 (UA Local 32) are parties to this proceeding, but have not joined the Settlement.

3 **Q: How is your testimony organized?**

4 A: The following is an outline of my testimony:

- 5 • First, I provide an overview of the proposed transaction;
- 6 • Second, I discuss the “no harm” standard in the state of Washington;
- 7 • Third, I identify risks to customers associated with the proposed transaction;
- 8 • Fourth, I provide an evaluation of these risks in light of the modified and
9 additional commitments as well as other protections associated with the proposed
10 settlement;
- 11 • Finally, I summarize my testimony.

12 **II. OVERVIEW OF PROPOSED TRANSACTION**

13 **Q: Please review the proposed transaction.**

14 A: In June of 2017, funds controlled by Macquarie Infrastructure Partners Inc.
15 (Macquarie) made its intentions known to sell its stake in Puget Energy, Inc.¹ A
16 decade earlier, Macquarie led a group of investors which purchased Puget Energy
17 and took it from being a publicly traded company to a privately held company.²

¹ Matthew Monks & Brett Foley, *Macquarie Said to Explore Sale of \$2 Billion Stake in Puget*, BLOOMBERG, June 15, 2017, <https://www.bloomberg.com/news/articles/2017-06-15/macquarie-said-to-explore-sale-of-stake-in-utility-puget-energy>.

² Macquarie’s owned or managed interest in Puget Holdings has decreased from 51.45% in February 2009 to its current ownership interest of 43.99 percent over the course of the ten years. The current Canadian owners, Canada Pension Plan Investment Board (CPPIB), AIMCo, and BCI, acquired the 7.46% interest formerly owned or managed by Macquarie. *See* Notice of Transfer of Interest (May 27, 2009), *Joint Application of Puget Holdings LLC and Puget Sound Energy, Inc., For an Order Authorizing Proposed Transaction*, Docket U-072375 (involving sale of 5.9112 percent of equity interest to Canadian investors); Notice of Internal Reorganization of Upstream Owners of Puget Holdings (Oct. 11, 2017), *Puget Sound Energy Notice of Internal Reorganization of Upstream Owners of Puget Holdings*, Docket UE-171039 (consolidating ownership of MIP funds into a single fund); Notice of Sale of 3.72 Percent Ownership Interest in Puget Holdings LLC To Certain Existing Owners of Puget Holdings LLC (Nov. 15,

1 On August 8, 2018, Macquarie announced an agreement to sell its 43.99 percent
2 stake is PSE to four purchasers.³ The proposed transaction being reviewed by the
3 Washington Utilities and Transportation Commission (Commission) in this
4 proceeding involves Macquarie's proposed sale of its share of Puget Holdings
5 LLC, which represents an indirect ownership interest in PSE.

6 The four purchasers are AIMCo, BCIMC, OMERS, and PGGM. Two of
7 the purchasers, AIMCo and BCI, are existing owners of Puget Holdings LLC.
8 OMERS and PGGM will be new indirect owners of PSE. After the proposed
9 transactions close, Macquarie will no longer hold any direct or indirect interest in
10 either PSE's parent company, Puget Holdings LLC or PSE.

11 AIMCo currently holds a 7.59 percent equity interest in Puget Holdings
12 and is purchasing an additional 6.01 percent equity interest of Puget Holdings.
13 AIMCo is one of the largest institutional investment managers in Canada. AIMCo
14 provides investment management services to entities in various public-sector
15 bodies of the province of Alberta.

16 BCIMC currently holds a 16.86 percent equity interest in Puget Holdings
17 LLC and is purchasing an additional 4.01 percent interest. BCIMC was
18 established and incorporated as a trust company in 1999 pursuant to the Public
19 Sector Pension Plans Act of British Columbia to carry on trust business and
20 investment management services, including the making of investments and loans,

2017), *Puget Sound Energy Notice of Sale of 3.72 Percent Ownership Interest in Puget Holdings LLC to Certain Existing Owners of Puget Holdings LLC*, Docket UE-171127 (involving sale of FSS Infrastructure Trust's 3.72 percent interest managed by Macquarie, to three of the existing owners).

³ A timeline of the events associate with the Proposed Transaction is attached as Exhibit JRW-3.

1 for funds placed within it by public sector pension plans and other eligible bodies,
2 which include the British Columbia government, foundations and benefit trusts.

3 OMERS, on behalf of the Ontario Municipal Employees Retirement
4 System, administers the pension plans for employees of municipalities, school
5 boards, libraries, police, fire departments, children’s aid societies, and other local
6 agencies across Ontario. OMERS is purchasing a 23.94 percent equity interest in
7 Puget Holdings LLC.

8 PGGM is a fund managed by PGGM Vermogensbeheer B.V which invests
9 in infrastructure assets, including regulated utilities. The beneficiaries of PGGM
10 are the more than 2.7 million active, former, and retired members of five Dutch
11 pension funds. PGGM is purchasing a 10.02 percent equity interest in Puget
12 Holdings LLC.

13 Tables 1 through 3 below summarize the proposed ownership change in
14 Puget Holdings LLC. These tables show the pre-transaction ownership of Puget
15 Holdings LLC, the Purchasers of Macquarie’s 43.99 percent interest in Puget
16 Holdings LLC, and the post-transaction ownership of Puget Holdings LLC.

17 **Table 1: Pre-Transaction Ownership of Puget Holdings LLC⁴**

MIP Funds	43.89%
Padua MG Holdings LLC	0.10%
Canada Pension Plan Investment Board	31.57%
British Columbia Investment Management Corporation	16.86%
Alberta Investment Management Corporation	7.59%
Total	100.00%

⁴ Joint Application at 8:1.

1 **Table 2: Purchasers of Macquarie’s 43.99 Percent Interest in Puget Holdings LLC⁵**

OMERS Administration Corporation	23.94%
PGGM	10.02%
Alberta Investment Management Corporation	6.01%
British Columbia Investment Management Corporation	4.01%
Total	43.99%

2 **Table 3: Post-Transaction Ownership of Puget Holdings LLC⁶**

Canada Pension Plan Investment Board	31.57%
OMERS Administration Corporation	23.94%
British Columbia Investment Management Corporation	20.87%
Alberta Investment Management Corporation	13.60%
PGGM	10.02%
Total	100.00%

3 **Q: Please review Public Counsel’s position on the Proposed Transaction.**

4 A: The Joint Applicants filed their application and the associated testimony on
5 September 5, 2018. While these documents provided information about the
6 Purchasers and their commitment to providing safe, reliable, sustainable, and clean
7 energy, there was very little transparency about the transaction itself and little to no
8 discussion of any associated risks.

9 On October 24, 2018, Public Counsel, AWEC, The Energy Project, and
10 the Washington and Northern Idaho District Council of Laborers (WNIDCL) filed
11 a joint petition requesting that the Commission initiate an adjudicative proceeding
12 to review the proposed transactions described in the Joint Application (the Joint
13 Petition). The Joint Petition also requested that the Commission review the Joint
14 Application under the “net benefit” standard. Public Counsel sought adjudication of

⁵ *Id.* at 8:6-7.

⁶ *Id.* at 9:3-4.

1 the Proposed Transaction to “peel back the onion” and evaluate issues associated
2 with the transaction. The Proposed Transaction involves the largest shareholder of
3 Washington’s largest investor-owned utility selling its interest, and Public Counsel
4 believes that it is important to thoroughly review the transaction and its associated
5 risks.

6 After hearings and further public comments, the Commission issued Order
7 01, Granting and Denying Petition for Adjudication, in Part, on November 9,
8 2018 (Order 01). Order 01 granted the petitioners’ request to commence an
9 adjudication but clarified that the Commission will evaluate the Joint Application
10 under the public interest standard set out in WAC 480-143-170, not the “net
11 benefit” standard.

12 The Commission’s Order 01 led to several rounds of discovery providing
13 enhanced transparency on the Proposed Transaction, two months of negotiations
14 between the parties, modified and additional commitments by the Joint Applicants,
15 and eventually to the January 15, 2019 multiparty Settlement.

16 III. WASHINGTON’S ‘NO HARM’ STANDARD

17 **Q: Please briefly review Washington’s “no harm” standard in the sale of minority,**
18 **non-controlling ownership interests.**

19 **A:** As noted above, Public Counsel and others initially advocated that the net benefit
20 standard found in RCW 80.12.020 should apply to this transaction. However, the
21 Order 01 states that the net benefit standard does not apply in this instance
22 because this transaction concerns a transfer of a non-controlling interest. Rather,
23 the Commission determined that the public interest standard, or “no harm”
24 standard, in WAC 480-143-170 is appropriate in this case. WAC 480-143-170
25 establishes the standard by which the Commission reviews the sale of minority,

1 non-controlling ownership interests such as the Proposed Transaction. In short, the
2 standard requires that ratepayers not be harmed by a transfer of property,

3 **Q: How have you evaluated and applied the ‘no harm’ standard as it applies to**
4 **the Proposed Transaction?**

5 A: I have evaluated the standard throughout this proceeding in several ways. First, I
6 reviewed the Joint Application and the associated testimonies of the Joint
7 Applicants.

8 Second, I reviewed discovery prepared by Public Counsel and other
9 parties, notably AWEC. Through the discovery, I evaluated a number of issues
10 related to the Proposed Transaction, including: (a) elements of the Proposed
11 Transaction; (b) the Purchasers of Macquarie’s 43.99 percent stake in Puget
12 Holdings LLC; and (c) the various risks that could impact PSE as a result of the
13 transaction.

14 Third, I participated in confidential negotiations between the Joint
15 Applicants and Settling Parties. These negotiations produced additional
16 information on the Proposed Transaction that informed how the commitments
17 offered in the Joint Applicants’ initial filing should be augmented and modified to
18 meet the no harm standard.

19 **Q: In your opinion, does the Proposed Transaction meet the “no harm”**
20 **standard?**

21 A: Yes. As discussed in the sections that follow, I believe that the Proposed
22 Transaction meets the no harm standard with the conditions provided in the
23 Settlement. However, I do believe that the Commission’s Order 01 allowing
24 adjudication of this transaction was essential to this outcome. The information
25 gathered through discovery about the Purchasers and the Proposed Transaction,

1 the negotiations between the Joint Applicants and the Settling Parties, and the
2 modification and extension of the commitments from the Joint Applicants result
3 in the Proposed Transaction meeting the no harm standard.

4 **IV. THE RISKS ASSOCIATED WITH THE PROPOSED TRANSACTION**

5 **Q: Does the change in ownership associated with the proposed transaction pose**
6 **any risks to PSE?**

7 A: Yes. I believe that any transaction poses risks for the underlying entity. Any
8 transaction involves risks, because a transaction involves change and uncertainty.
9 In this case, a change of ownership is contemplated, which can pose risk on
10 different parties. The proposed transaction involves a minority, indirect interest in
11 PSE, and therefore the risks are less in magnitude than if the transaction involved
12 a majority stake. However, as shown in Tables 1 and 3 above, the sale by
13 Macquarie changes the composition and make-up of the ownership of PSE, with
14 two new owners (OMERs and PGGM) whose combined ownership stake would
15 be 37.54 percent.

16 **Q: What specific risks can you identify that may be impacted by the proposed**
17 **transaction?**

18 A: In evaluating the Proposed Transaction, I identified several potential risks. These
19 are not necessarily isolated risks, as they are interrelated.

- 20 • Ownership/Corporate Governance Risk – Any change in corporate ownership
21 can directly lead to risks associated with the governance and oversight of a
22 corporate enterprise.
- 23 • Financial Risk – This risk could come into play if the change in ownership
24 impacts the financial integrity of PSE which could, in turn, impair PSE's access
25 to capital.

1 investment in Puget Holdings LLC. As indicated by the time line shown in my
2 Exhibit JRW-3, the Purchasers took months to evaluate the investment.

3 Additionally, Exhibit JRW-5C, which contains the Joint Applicant's Response to
4 Public Counsel Data Request No. 003, indicates that the Purchasers hired
5 multiple legal and financial advisers for assistance before entering into the
6 purchase agreement.

7 3) As indicated in Exhibit JRW-6, which contains the Joint Applicant's Response
8 to Public Counsel Data Request No. 12, the Purchasers have sold very few of
9 their infrastructure investments over the past five years.

10 **Q: What commitments deal with general corporate governance/ownership risk?**

11 A: There are a number of commitments made by the Joint Applicants that mitigate
12 corporate governance/ownership risks that may exist even with well-qualified
13 owners. Commitment Nos. 24-38 of the multi-party Settlement focus on corporate
14 governance risks, and specifically provide for ring-fencing commitments that protect
15 PSE from corporate governance issues. In addition, there are a number of financial
16 commitments discussed in the section below that also mitigate this risk. The specific
17 corporate governance commitments include:

18 • Commitment 1 – Local Directors

19 Puget Holdings and PSE commit that (i) the board of directors of PSE will
20 include at least three directors who are residents of the region, one of whom shall
21 be the chief executive officer of PSE, and (ii) the board of directors of Puget
22 Energy will include at least two directors who are residents of the region, one of
23 whom shall be the chief executive officer of PSE. The term "region" as it applies
24 to this Commitment 1 means Washington State.

25 • Commitment 24 – Independent Director

1 At least one director of PSE will be a PSE Independent Director who is
2 not a member, stockholder, director (except as such PSE Independent Director),
3 officer, or employee of Puget Holdings or its affiliates.

4 • Commitment 27 – Puget Equico

5 All common stock must be held by Puget Equico, a Washington limited
6 liability company. Puget Equico shall be a wholly-owned subsidiary of Puget
7 Intermediate. Puget Equico shall be a bankruptcy-remote special purpose entity
8 and shall not have debt.

9 • Commitment 33 – NYSE Reporting Standards

10 PSE must adhere to NYSE reporting and corporate governance standards,
11 including publishing annual reports, financial statements, directors, committees, and
12 other Sarbanes-Oxley reporting requirements.

13 • Commitment 35 – Sarbanes-Oxley Reporting Requirements

14 PSE commits to meet all Sarbanes Oxley reporting requirements, including
15 sections 201-206, 301-303, 401-409, and 906.

16 • Commitment 36 – Non-Consolidation Opinion

17 Within 90 days of closing, Puget Holdings and PSE will file a non-
18 consolidation opinion with the Commission, which concludes that the ring
19 fencing provisions are sufficient such that a bankruptcy court would not order
20 the substantive consolidation of the assets and liabilities of PSE with those of
21 Puget Energy or its affiliates or subsidiaries.

22 **Q: What commitments deal with specific corporate governance/ownership**
23 **risk?**

1 A: Two commitments address specific corporate governance/ownership risk posed
2 by the Proposed Transaction. In particular, Commitments 22 and 23 address the
3 political and behavior risks.

4 • Commitment 22 – Notice of Changes in Law

5 PSE shall file a notice with the Commission and serve such notice on the
6 parties to Docket U-180680, within ninety (90) days of the effective date of any
7 change in any of (i) the Alberta Investment Management Corporation Act, S.A.
8 2007, c. A-26.5; (ii) the Public Sector Pension Plans Act, S.B.C. 1999, c. 44; (iii)
9 the Canada Pension Plan Investment Board Act, S.C. 1997, c. 40; (iv) the Ontario
10 Municipal Employees Retirement System Act, S.O. 2006, c. 2; and (v) those
11 restrictions that prohibit a pension plan administrator from investing directly or
12 indirectly in the securities of a corporation to which are attached more than thirty
13 percent (30 percent) of the votes that may be cast to elect the directors of that
14 corporation, or any amendment or replacement of that rule set out in section 11 of
15 Schedule III of the Pension Benefits Standards Regulations, 1985 (SOR/87-19), as
16 incorporated by reference in (a) subsection 72(2) of the Employment Pension
17 Plans Regulation under the Employment Pension Plans Act (Alberta), (b) section
18 68(2) of the Pension Benefits Standards Regulation under the Pension Benefits
19 Standards Act (British Columbia), and (c) section 79 of regulation 909 under the
20 Pension Benefits Act (Ontario).

21 • Commitment 23 – Voting Rights

22 PSE shall file a notice with the Commission and serve such notice on the
23 parties to Docket U-180860, within thirty (30) days of any (i) change to the voting
24 requirements in either the PSE Bylaws or Puget Holdings LLC Agreement or (ii)

1 creation of an enforceable voting agreement among two or more members of
2 Puget Holdings.

3 **Q: In summary, do you believe that the Settlement adequately addresses the**
4 **corporate governance/ownership risks associated with the Proposed**
5 **Transaction?**

6 A: Yes. The Purchases are high-quality investors in infrastructure assets, and the
7 Settlement provides multiple commitments to protect PSE and its ratepayers.
8 Additionally, as noted above, there are a number of financial commitments
9 discussed below that also mitigate this risk.

10 **Q: Please describe financial risk as it could apply to the Proposed Transaction.**

11 A: Financial risk involves the financial integrity of the owners, which could, in turn,
12 impair PSE's access to capital.

13 **Q: Initially, please review Moody's assessment of the Proposed Transaction on**
14 **the financial risk of PSE.**

15 A: After the Proposed Transaction was announced in August, Moody's provided an
16 update on the credit profile of PSE. In concluding that the transaction was credit
17 neutral to Puget Energy and PSE, Moody's made the following observation:

18 We view this change in ownership to be credit neutral, as existing
19 owners continue to own the majority of the company and the new
20 owners are long-term holders of infrastructure assets.⁷

21 **Q: What commitments in the Settlement deal with financial risk?**

⁷ *Puget Energy, Inc. Update following ratings affirmation*, MOODY'S INVESTORS SERVICE (Aug. 31, 2018).

1 A: There are several commitments made by the Joint Applicants that directly protect
2 PSE from financial risks that could impair PSE's access to capital. These include:

3 • Commitments 25 and 26 – S&P and Moody's Credit Ratings

4 The Joint Applicants agree that PSE will maintain its own corporate and
5 debt credit rating, as well as ratings for long-term debt and preferred stock, and
6 Puget Holdings and PSE commit that each of Puget Energy and PSE will continue
7 to be rated by both Standard & Poor's Ratings Group and Moody's Investors
8 Service, Inc.

9 • Commitments 28, 30, and 31 – Restrictions of Dividend Distributions

10 These commitments restrict dividend distributions based on interest coverage
11 levels (PSE EBITDA/Interest), S&P credit ratings, and common equity ratio of 44
12 percent.

13 • Commitment 29 – Common Equity Ratio

14 PSE and Puget Holdings commit that PSE will have a common equity ratio
15 of no less than 44 percent, except to the extent a lower equity ratio is established
16 for ratemaking purposes by the Commission. This commitment also restricts
17 dividend distributions if the common equity ratio falls below 44 percent.

18 **Q: What other observations can you make about financial risk associated with**
19 **the Proposed Transaction?**

20 A: As noted in the Moody's article cited above, Moody's noted that PSE's credit
21 strengths include a supportive regulatory environment, strong financial
22 performance and ring-fence type provisions that help insulate the utility from a
23 highly leveraged parent company. These factors are independent of the Proposed
24 Transaction itself.

1 One other factor is worth noting. The Joint Applicants provided the annual
2 common equity ratio for PSE for the past ten years in their Response to AWEC Data
3 Request No. 39, which is contained in my Exhibit JRW-7. PSE's common equity
4 ratio has consistently been in the 45-50 percent range. This reflects PSE's consistent
5 performance as well as financial management policies.

6 **Q: Please discuss the element of financial risk involving the holding company**
7 **debt held by Puget Energy.**

8 A: Moody's has provided the following summary observations on Puget Energy's
9 debt:

10 Puget Energy, Inc.'s (Puget) credit profile reflects the relatively low
11 risk utility operations at its primary subsidiary, Puget Sound Energy,
12 Inc. (PSE, Baa1 stable). Puget's credit is constrained by (1) about
13 \$1.7 billion of Puget holding company debt that is structurally
14 subordinated to around \$4.1 billion of PSE debt; (2) regulatory
15 provisions in place at PSE which could, in some circumstances, limit
16 the utility's dividends to the parent company; and (3) the incremental
17 business risk that Puget is pursuing as part of a partially unregulated
18 investment in a liquefied natural gas (LNG) storage facility.

19 Moody's rates for Puget Energy at Baa3 is driven by the financial risk
20 associated with the holding company debt, while Moody's rates for PSE is Baa1. To
21 put this in perspective, the Baa3 rating is the lowest rating above junk debt levels,
22 while the Baa1 rating is in line with other electric utilities.

23 The Parties raised holding company debt level with the Joint Applicants in
24 discovery. AWEC Data Request No. 51 directly addressed the issue:

1 **AWEC DATA REQUEST NO. 051**

2 Please explain whether and to what extent the proposed transaction
3 will impact the level of debt held at: (1) Puget Energy; and (2) Puget
4 Intermediate.

5 **Response:**

6 None of the Joint Applicants anticipate that any of the proposed
7 transactions will have an impact on the current or projected level of
8 debt held at Puget Energy or Puget Intermediate Holdings.⁸

9 In addition, in conjunction with these discussions, the Joint Applicants have
10 agreed to an associated commitment:

- 11 • Commitment 38 – Holding Company Debt

12 For a period of five (5) years following the date of a final order in Docket
13 U-180860, PSE shall file with the Commission, no later than March 31 of each
14 year, the total amount of debt held at each of Puget Energy and PSE, including the
15 material terms of any new issuance(s) as of December 31 of the previous calendar
16 year. Such material terms include: (1) the financing party; (2) the amount; (3) the
17 interest rate; (4) the maturity date; and (5) the uses of the monies raised in each
18 debt issuance.

19 **Q: In summary, do you believe that the Settlement adequately addresses the**
20 **corporate financial risks associated with the Proposed Transaction?**

21 A: Yes. The commitments contained in the Settlement support Moody's assessment
22 that the Proposed Transaction should have no impact on the financial risk of PSE.

23 **Q: Please address portfolio risk as it could apply to the Proposed Transaction.**

⁸ Joint Applicants' Response to AWEC Data Request No. 51 attached as Exhibit JRW-8.

1 A: Portfolio risk encompasses two elements of the owner’s portfolio: (1) the risk and
2 diversification of the owner’s portfolio fund holdings; and (2) the size of the PSE
3 investment relative to the size and diversity of the owner’s portfolio fund
4 holdings.

5 I have attached the Joint Applicant’s Response to Public Counsel Data
6 Request No. 19 as Exhibit JRW-4. Exhibit JRW-4 provides details on the portfolio
7 aspects of the Purchasers, including (1) the total size of the fund, (2) the asset
8 breakdown of the Fund (cash, money market, fixed income, private equity, public
9 equity, etc.), (3) the 20 biggest holdings of the Fund and the dollar amount of each
10 of these holdings, and (4) the Fund’s total investment in PSE and where the size
11 of the Fund’s PSE holding ranks compared to the Fund’s other holdings.

12 Exhibit JRW-4 indicates that the Purchasers are large, well-diversified
13 investment funds. Table 4 below provides summary statistics on fund size, PSE
14 investment, and the relative size of the investment in PSE. These data indicate
15 that for three of the four Purchasers, the investment in PSE is relatively small
16 holding (1-2 percent) for the Purchaser.

17 This is not the case for PGGM. The PSE investment will represent about
18 10.7 percent of the PGGM Infrastructure Fund. However, a review of PGGM’s
19 holdings indicates that their strategy is to have five to ten core holdings with each
20 core holding representing 5-10 percent of their total holdings. In addition, among
21 the Fund’s core holdings are other energy/utility investments, since they represent
22 the core of the Fund’s investment strategy. As such, the PSE investment is
23 consistent with the objectives of the Fund.

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Table 4: Summary Portfolio Statistics for Purchasers

Purchaser	Fund Size	PSE Investment	PSE Percent
AIMCo	\$107.1B	\$948.8M	1.1%
BCIMC	C\$145.6B	\$1,450.0M	1.3%
OMERS	C\$95.0B	\$1,670.0M	2.3%
PGGM	\$6.6B	\$705.5M	10.7%

2

Q: In summary, after your review, do you believe that portfolio risk of the Purchasers is an issue with the Proposed Transaction that requires specific commitments or mitigation?

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A: No. My review of the Purchases indicates that the addition of PSE would not add significant risk to the Purchasers' holdings, nor are the Purchasers likely to face difficulties that would require a quick liquidation or sale of assets. As noted above in my discussion of corporate governance risk, the Purchasers are large investors in infrastructure assets and are managers of pension assets that have long-term liabilities. Therefore, they have a long-term perspective on their investments.

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Q: Finally, please discuss capital investment risk as it could apply to the Proposed Transaction.

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A: As I have defined it here, capital investment risk involves change in ownership impacting the capital investment program of the underlying entity in any negative way, which could include restricting investment, access to capital, the lack of a commitment to investment, or the need to deploy capital elsewhere.

14

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Q: Does the Settlement address capital investment risk?

18

A: Yes. The Joint Applicants have committed to meeting PSE capital investment needs in Commitment 37.

19

1 and resulted in augmented and modified commitments by the Joint Applicants.
2 Based on this information and the commitments, I concluded that PSE and its
3 customers are protected from the identified risks, and therefore the Proposed
4 Transaction meets Washington's no-harm standard. As a result, I support the
5 January 15, 2019 multiparty Settlement.

6 **Q: Does this conclude your testimony?**

7 A: Yes.