

**EXH. MJV-1T
DOCKET U-180680
WITNESS: MARTIJN J. VERWOEST**

**BEFORE THE
WASHINGTON UTILITIES AND 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

PREFILED DIRECT TESTIMONY (NONCONFIDENTIAL) OF

MARTIJN J. VERWOEST

ON BEHALF OF PGGM VERMOGENSBEHEER B.V.

SEPTEMBER 5, 2018

PGGM VERMOGENSBEHEER B.V.

**PREFILED DIRECT TESTIMONY (NONCONFIDENTIAL) OF
MARTIJN J. VERWOEST**

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PGGM VERMOGENSBEHEER B.V.

**PREFILED DIRECT TESTIMONY (NONCONFIDENTIAL) OF
MARTIJN J. VERWOEST**

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1 **PGGM VERMOGENSBEHEER B.V.**

2 **PREFILED DIRECT TESTIMONY (NONCONFIDENTIAL) OF**
3 **MARTIJN J. VERWOEST**

4 **I. INTRODUCTION**

5 **Q. Please state your name, business address, and position with PGGM.**

6 A. My name is Martijn J. Verwoest. My business address is Noordweg Noord 150,
7 3704 JG Zeist, Netherlands. I am a Senior Director in the Infrastructure team
8 within PGGM Vermogensbeheer B.V. (the “PGGM Fund Manager”), the fund
9 manager of the PGGM Infrastructure Fund, for whose benefit Stichting
10 Depository PGGM Infrastructure Funds (the “PGGM Title Holder”) holds title to
11 its assets (all together: “PGGM”). I am responsible for Energy and Utilities
12 investments within the Infrastructure team, which is responsible for the
13 investments made on behalf of PGGM.

14 **Q. Have you prepared an exhibit describing your education, relevant**
15 **employment experience, and other professional qualifications?**

16 A. Yes, I have. It is Exh. MJV-2.

17 **Q. What are your duties as Senior Director of the Infrastructure team within**
18 **PGGM?**

19 A. As Senior Director, my responsibilities include the sourcing and execution of new
20 investments, managing of existing investments, including fulfilling board roles,
21 and providing senior leadership to the organization and development of the

1 investment team and investment strategy. My responsibilities are predominantly
2 focused on energy and utilities investments, with a global scope. In addition, I am
3 a member of the Infrastructure Investment Committee.

4 **Q. Please summarize the purpose of your direct testimony.**

5 A. My testimony provides support for the acquisition of 10.02 percent of the equity
6 interest in Puget Holdings LLC (“Puget Holdings”), the ultimate parent company
7 of Puget Sound Energy (“PSE”), by the PGGM Title Holder, acting in its capacity
8 as title holder of the PGGM Infrastructure Fund.

9 First, I provide an overview of (i) the proposed transaction; (ii) PGGM and its
10 affiliates; and (iii) the investment strategy of PGGM.

11 Second, I explain that PSE’s strong management, its focus on environmental
12 sustainability, and the regulatory environment in which it operates make the
13 proposed acquisition of a 10.02 percent equity interest in Puget Holdings a good
14 investment for PGGM.

15 Finally, I explain why the acquisition of a 10.02 percent indirect interest in PSE
16 by PGGM is consistent with the public interest.

1 **II. DESCRIPTION OF THE PROPOSED TRANSACTION AND**
2 **QUALIFICATIONS OF PGGM AS A PURCHASER OF AN**
3 **EQUITY INTEREST IN PUGET HOLDINGS**

4 **A. Description of the Proposed Transaction**

5 **Q. What is the nature of the transaction for which PGGM seeks Commission**
6 **approval?**

7 A. PGGM seeks Commission approval of the acquisition of a 10.02 percent interest
8 in Puget Holdings. PGGM is one of four investors that has entered into an
9 agreement to purchase the equity interest in Puget Holdings currently held by
10 funds managed by Macquarie Infrastructure Partners Inc. (“MIP Funds”) and a
11 Macquarie entity, Padua MG Holdings LLC (collectively, “Macquarie”).
12 Macquarie currently owns a 43.99 percent equity interest in Puget Holdings and
13 intends to sell all of its ownership interest in Puget Holdings. With the closing of
14 the transaction, PGGM would hold an indirect interest in PSE of 10.02 percent.

15 **Q. Are the transaction documents available for Commission review?**

16 A. Yes. Please see the Second Exhibit to the Prefiled Direct Testimony of Martijn J.
17 Verwoest, Exh. MJV-3, for a copy of the Purchase and Sale Agreement and
18 related documents by which PGGM is proposing to acquire the 10.02 percent of
19 Puget Holdings.

1 **Q. Why is PGGM seeking Commission approval of the transaction?**

2 A. PGGM requests Commission approval of the acquisition based on the
3 understanding that the Commission must approve any transaction that transfers
4 10 percent or more of the equity ownership of Puget Holdings or PSE.

5 **B. Description of PGGM**

6 **Q. Can you please describe the relationship among the PGGM entities that play
7 some role with respect to the proposed transaction?**

8 A. Yes. Please see the Third Exhibit to the Prefiled Direct Testimony of Martijn J.
9 Verwoest, Exh. MJV-4, for background information regarding the PGGM fund
10 for joint account structure in which PGGM investments are made.
11 Please see the Fourth Exhibit to the Prefiled Direct Testimony of Martijn J.
12 Verwoest, Exh. MJV-5, for an organizational chart of the PGGM entities involved
13 in the proposed transaction.

14 **Q. Please describe those entities, starting with the entity that will actually
15 manage the indirect investment in PSE following the approval of the
16 transaction.**

17 A. The PGGM Fund Manager will be the entity that manages the indirect investment
18 in PSE by the PGGM Infrastructure Fund once the transaction is approved. The
19 PGGM Fund Manager is a private company that, as of June 30, 2018, managed
20 close to US \$250 billion of assets on behalf of its clients. The PGGM Fund
21 Manager is a wholly-owned subsidiary of PGGM N.V. PGGM N.V. is a Dutch

1 pension fund service provider that manages pensions for different pension funds,
2 the affiliated employers and their employees. In turn, PGGM N.V. is a wholly-
3 owned subsidiary of PGGM Coöperatie U.A (“PGGM Coöp”), which has a
4 cooperative structure and is a not-for-profit organization. PGGM Coöp currently
5 has approximately 750,000 members, composed mainly of individuals (and/or
6 their partners/spouses) working in the health and welfare sector, employees’
7 organizations, and employers and employers’ organizations in the same sector.
8 No individual member holds more than a 10 percent interest in PGGM Coöp.

9 **Q. What is the relationship between the PGGM Fund Manager and the**
10 **PGGM Infrastructure Fund?**

11 A. The PGGM Infrastructure Fund is a fund consisting of investments in the broader
12 infrastructure space, currently worth more than US \$8 billion, including regulated
13 utilities. The PGGM Fund Manager manages investments on behalf of the
14 PGGM Infrastructure Fund, including exercising any voting rights associated with
15 those assets, but the economic beneficiary of those investments is the
16 PGGM Infrastructure Fund.

17 **Q. What is Mount Rainier Utility Holdings LLC?**

18 A. Mount Rainier Utility Holdings LLC is a Delaware limited liability company
19 created for the purpose of acquiring a 10.02 percent interest in Puget Holdings.
20 The PGGM Title Holder, acting in its capacity as title holder of the
21 PGGM Infrastructure Fund, and represented by the PGGM Fund Manager as its

1 attorney-in-fact, owns 100% of the membership interests in Mount Rainier Utility
2 Holdings LLC.

3 **Q. Who are the ultimate economic beneficiaries of the PGGM Infrastructure**
4 **Fund?**

5 A. The ultimate economic beneficiaries of the PGGM Infrastructure Fund are the
6 more than 2.7 million active, former, and retired members of five Dutch pension
7 funds. Please see Table 1 below for the percentages of the PGGM Infrastructure
8 Fund owned, as of June 30, 2018, by those five pension funds.

9 **Table 1. Pension Funds with an Economic Interest in the**
10 **PGGM Infrastructure Fund**

Pension Fund for the Painting, Finishing and Glazing Industry	0.50%
Pension Fund for the Private Security Industry	0.72%
Pension Fund for Architectural Firms	1.28%
Pension Fund for General Practitioners	4.32%
Pension Fund for Health Care and Welfare	93.18%

11 **Q. Please describe the Pension Fund for the Painting, Finishing and Glazing**
12 **Industry.**

13 A. The Pension Fund for the Painting, Finishing and Glazing Industry is a Dutch
14 pension fund established in 1951.¹ At the end of 2017, it had 29,928 active
15 participants, 43,569 former members, and 35,528 retirees. At the end of 2017, the
16 pension fund had an invested capital of €7.027 billion.

¹ Official Dutch title: Stichting Bedrijfstakpensioenfondsvoor het Schilders-, Afwerkings- en
Glazetbedrijf.

1 **Q. Please describe the Pension Fund for the Private Security Industry.**

2 A. The Pension Fund for the Private Security Industry was founded in 1990.² At the
3 end of 2017, it had 21,366 active participants, 31,233 former participants, and
4 3,509 pension beneficiaries. At the end of 2017, the pension fund had an invested
5 capital of €1.518 billion.

6 **Q. Please describe the Pension Fund for Architectural Firms.**

7 A. The Pension Fund for Architectural Firms is a Dutch pension fund for
8 architectural firms.³ At the end of 2017, it had 7,954 active participants,
9 30,650 former participants, and 13,020 pension beneficiaries. At the end of 2017,
10 the pension fund had an invested capital of €4.288 billion.

11 **Q. Please describe the Pension Fund for General Practitioners.**

12 A. The Pension Fund for General Practitioners is a Dutch pension fund for self-
13 employed general practitioners in the medical field.⁴ At the end of 2017, it had
14 11,328 active participants, 1,250 former participants, 37 ex-partners with an
15 independent right to a pension, and 6,961 pension beneficiaries. At the end of
16 2017, the pension fund had an invested capital of €11.328 billion.

² Official Dutch title: Stichting Bedrijfstakpensioenfondsvoor de Particuliere Beveiliging.

³ Official Dutch title: Stichting Pensioenfondsvoor de Architectenbureaus.

⁴ Official Dutch title: Stichting Pensioenfondsvoor Huisartsen.

1 **Q. Please describe the Pension Fund for Health Care and Welfare.**

2 A. The Pension Fund for Health Care and Welfare is a Dutch pension fund for the
3 healthcare and social work sectors.⁵ At the end of 2017, it had 1,196,900 active
4 participants, 1,076,200 former participants, and 435,300 pension beneficiaries. At
5 the end of 2017, the pension fund had an invested capital of €197.182 billion.

6 **Q. Are any of the PGGM entities an agency of The Netherlands?**

7 A. No. None of the PGGM entities is an agency of the Dutch government. Each is a
8 private sector financial institution, regulated by the Autoriteit Financiële Markten
9 (the Netherlands Authority for the Financial Markets) and De Nederlandsche
10 Bank (the central bank of The Netherlands).

11 **Q. Are any of the Dutch pension funds that own the PGGM Infrastructure
12 Fund an agency of The Netherlands?**

13 A. No. None of the five Dutch pension funds that own the PGGM Infrastructure
14 Fund is an agency of the Dutch government.

15 **Q. How will PGGM make the indirect investment in PSE?**

16 A. PGGM will fund the amount of the Base Purchase Price (as defined in the
17 Purchase and Sale Agreement, Exh. MJV-3) for its investment in Puget Holdings
18 with 100 percent equity. As previously explained and as depicted in the
19 organizational chart provided as Exh. MJV-5, this funding will occur through the
20 use of a special-purpose vehicle (Mount Rainier Utility Holdings LLC). With

⁵ Official Dutch title: Stichting Pensioenfonds Zorg en Welzijn.

1 respect to the possibility that the Base Purchase Price would increase due to
2 certain contingencies, PGGM can access a credit line provided by an external
3 financing party to temporarily fund any such increase if required.

4 **C. Investment History and Strategy of PGGM**

5 **Q. How does PGGM invest the assets it manages?**

6 A. PGGM has invested, as of June 30, 2018, in a diversified portfolio of close to US
7 \$240 billion assets under management over 15 different asset classes, both public
8 and private. Major asset classes invested by PGGM, include, without limitation,
9 the following investments (percentages are approximations):

- 10 • Public Investments
 - 11 • Equities – 27% of total investments
 - 12 • Fixed Income – 43% of total investments
 - 13 • Commodities – 6% of total investments
 - 14 • Listed Real Estate – 6% of total investments
- 15 • Private Investment
 - 16 • Infrastructure – 4% of total investments
 - 17 • Private Equity – 6% of total investments
 - 18 • Private Real Estate – 6% of total investments
 - 19 • Other private – 2% of total investments

1 **Q. Describe the PGGM Infrastructure Fund's investment philosophy.**

2 A. PGGM is a well-established and involved financial investor in the infrastructure
3 sector with a long-term investment horizon. The PGGM Infrastructure Fund is
4 active globally and focuses on direct equity investments in non-listed businesses
5 and their management teams. The PGGM Infrastructure Fund has a long-term
6 strategy of 20 years or more with no pre-set exit requirements and flexible yield
7 requirements to allow investing in growth or improvements of infrastructure
8 through its open-ended structure.

9 The PGGM Infrastructure Fund is interested in long-term investments that display
10 relatively stable and predictable cash flows that are (preferably) linked to
11 inflation. This can be achieved through regulation, concessions or other
12 contractual arrangements supporting a company's cash flows.

13 The PGGM Infrastructure Fund has a global mandate with a focus on investments
14 in Europe and the United States. The investments of the PGGM Infrastructure
15 Fund are spread across four broad sectors:

- 16 • Energy and Utilities
- 17 • Renewables and Water
- 18 • Transport and Telecom
- 19 • Social and Public Private Partnerships (PPP)

20 The PGGM Infrastructure Fund also seeks to invest in companies and projects
21 that can make a social impact. We stimulate sustainability and energy transition

1 initiatives and best in class corporate governance practices. We invest in strong
2 management teams alongside like-minded investors or strong market leading
3 strategic partners.

4 **Q. Has PGGM previously invested in energy and infrastructure assets in the**
5 **United States?**

6 A. Yes. PGGM has made significant investments in energy and infrastructure assets
7 in the United States. It has also made energy and infrastructure investments in
8 other developed markets, mostly in North America and Europe, thereby enabling
9 PGGM to gain substantial experience in these sectors. PGGM representatives
10 serve on the boards for some of these companies, including Madrileña Red de Gas
11 (a gas distribution company in Spain) and Ennatuurlijk (a district heating
12 company in the Netherlands). These investments have provided PGGM with
13 substantial board level experience in reviewing strategies, business processes and
14 operating effectiveness of utilities similar to PSE. PGGM makes these
15 investments on a long-term basis, diversified both geographically and across
16 sectors.

17 **Q. Please describe the energy and infrastructure investments currently held by**
18 **PGGM in the United States.**

19 A. PGGM holds significant investments in the energy and infrastructure sectors in
20 the United States, including the following:

- 21 o **DQE Holdings LLC.** On September 13, 2016, PGGM
22 consummated a transaction for a 20.3 percent ownership
23 stake in DQE Holdings LLC, the main operating subsidiary

1 of which is Duquesne Light Company. Duquesne Light
2 Company is an electric utility regulated by the
3 Pennsylvania Public Utility Commission that purchases,
4 transmits, and distributes electric energy to retail customers
5 in southwestern Pennsylvania. Duquesne Light Company's
6 transmission facilities are integrated into the market
7 administered by PJM Interconnection, L.L.C. (PJM).

8 o **Peoples Natural Gas.** PGGM holds a 7.1 percent interest
9 in Peoples Natural Gas, the largest natural gas distribution
10 company in Pennsylvania. Peoples Natural Gas provides
11 natural gas service to approximately 739,000 homes and
12 businesses in western Pennsylvania, West Virginia, and
13 Kentucky. It is regulated by the Pennsylvania Public Utility
14 Commission, the Public Service Commission of West
15 Virginia, and the Kentucky Public Service Commission.
16 PGGM also manages an additional indirect 6.9 percent
17 stake in Peoples Natural Gas held by the Pension Fund for
18 Health Care and Welfare.

19 o **SolarCity Portfolio.** In 2017, PGGM made an investment
20 in a portfolio of SolarCity solar energy systems. This
21 investment is in a portfolio with approximately 38,000
22 solar energy systems in the United States, with a combined
23 installed capacity of 277 MW.

24 Additionally, PGGM has entered into the following recent agreements to purchase
25 significant interests in energy and infrastructure assets in the United States:

26 o **SUEZ Water Resources.** On July 25, 2018, Suez North
27 America and PGGM entered into an agreement, pursuant to
28 which PGGM will acquire a 20 percent ownership interest
29 in SUEZ Water Resources, a portfolio of regulated water
30 and wastewater utilities, that provides state-regulated water
31 services to 2.1 million people in New Jersey, New York,
32 Idaho, Pennsylvania, Delaware, and Rhode Island.
33 Regulatory approvals required for closing include state
34 utility commission approval in New York, New Jersey and
35 Delaware, Hart-Scott-Rodino (HSR) review by the Federal
36 Trade Commission (FTC), and review by the Committee on
37 Foreign Investment in the United States (CFIUS). Closing
38 is anticipated in the second quarter of 2019.

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- o **Red Pine Wind Project.** On June 19, 2018, EDF Renewables North America and PGGM entered into a Purchase and Sale Agreement, pursuant to which PGGM will acquire a 50 percent ownership interest in the Red Pine Wind Project, a wind project located in Lincoln County, Minnesota, with a nameplate capacity of 200 MW. The project commenced operation as of December 2017. Regulatory approvals required for closing include Section 203 of the Federal Power Act (FPA) review by FERC and HSR review by the FTC. Closing is anticipated in the third quarter of 2018.

- o **Rock Falls Wind Project.** On June 19, 2018, EDF Renewables North America and PGGM also entered into a Purchase and Sale Agreement, pursuant to which PGGM will acquire a 50 percent ownership interest in the Rock Falls Wind Project, a wind project located in Grant and Kay Counties, Oklahoma, with a nameplate capacity of 154 MW. The project started operations as of December 2017. Regulatory approvals required for closing include FPA Section 203 review by FERC and HSR review by the FTC. Closing is anticipated in the third quarter of 2018.

- o **Switch Station 1 and 2 Solar Projects.** On June 19, 2018, EDF Renewables North America and PGGM also entered into a Purchase and Sale Agreement, pursuant to which PGGM will acquire a 50 percent ownership interest in the Switch Station 1 and 2 Solar Projects, located in Clark County, Nevada, with a combined nameplate capacity of 234 MW. Switch 1 and 2 became operational as of August 2017 and October 2017 respectively. Regulatory approvals required for closing include FPA Section 203 review by FERC and HSR review by the FTC. Closing is anticipated in the fourth quarter of 2018.

- o **Glacier’s Edge Wind Project.** On July 24, 2018, EDF Renewables North America and PGGM entered into a Purchase and Sale Agreement, pursuant to which PGGM will acquire a 50 percent ownership interest in the Glacier’s Edge Wind Project, a wind project located in Cherokee County, Iowa, with a nameplate capacity of 200 MW. The project is planned to become operational as of December 2019. Regulatory approvals required for closing include

1 FPA Section 203 review by FERC and HSR review by the
2 FTC. Closing is anticipated in the first quarter of 2020.

- 3 o **Valentine Solar Project.** On July 24, 2018, EDF
4 Renewables North America and PGGM also entered into a
5 Purchase and Sale Agreement, pursuant to which PGGM
6 will acquire a 50 percent ownership interest in the
7 Valentine Solar, a solar project located in Kern County,
8 California, with a nameplate capacity of 132 MW. The
9 project is planned to become operational as of December
10 2019. Regulatory approvals required for closing include
11 FPA Section 203 review by FERC and HSR review by the
12 FTC. Closing is anticipated in the first quarter of 2020.

13 **Q. What investments in the energy and infrastructure sectors has PGGM made**
14 **outside the United States?**

15 A. In addition to its investments in the United States, PGGM has made investments
16 in the energy and infrastructure sectors in Europe, and to a lesser extent in other
17 parts of North America and South America, including but not limited to the
18 following:

- 19 o **ATC Europe.** PGGM is a member of a joint venture with
20 American Tower Corporation (ATC) since 2016. ATC is a
21 global market leader in telecommunication tower assets,
22 targeting European tower transactions. The current
23 portfolio of ATC Europe is located in Germany and France
24 and comprises close to 5,000 tower locations.
- 25 o **BAM PPP Joint Venture.** PGGM is a member of a joint
26 venture with BAM PPP since 2010. BAM PPP a subsidiary
27 of the leading Dutch construction company BAM, targeting
28 investments in public-private partnerships in northwestern
29 Europe. The joint venture currently comprises over thirty
30 infrastructure projects located in The Netherlands,
31 Belgium, Germany and Ireland.
- 32 o **BUUK.** PGGM holds a 20 percent interest in BUUK since
33 2012. BUUK is a United Kingdom multi-utility that
34 includes an independent utility infrastructure and networks

1 provider, a new electricity and fibre connections provider,
2 district energy providers, a telecom and broadband services
3 provider, and a water and wastewater services provider.

- 4 o **Ennatuurlijk.** Since 2014, PGGM holds an 80 percent
5 interest in Ennatuurlijk, a Dutch district heating company,
6 that supplies heat to 70,000 private customers and
7 1,000 companies across The Netherlands.
- 8 o **Globalvia.** Since 2012, PGGM has been an investor in
9 Globalvia. PGGM currently holds a 40.8 percent interest in
10 Globalvia, a global transport operator, targeting
11 transportation projects (roads and railways). Currently the
12 portfolio includes over 27 projects throughout eight
13 countries—Spain, United States, Portugal, Ireland,
14 Andorra, Mexico, Costa Rica and Chile.
- 15 o **Madrileña Red de Gas.** Since 2014, PGGM holds a
16 33.8 percent interest in Madrileña Red de Gas, one of the
17 largest gas distribution companies in Spain with a
18 distribution network consisting of over 5,000 kilometers of
19 gas pipelines and serving over 850,000 end-use customers.

20 **III. PSE IS AN ATTRACTIVE INVESTMENT FOR PGGM**

21 **Q. Why is PGGM interested in investing in PSE?**

22 A. PSE is a compelling investment opportunity for PGGM. PSE operates in an
23 economically strong, dynamic, and progressive service territory with a focus on
24 achieving sustainable sourcing of electricity for its customers. By investing in
25 PSE, PGGM can support the development of sustainable forms of electricity
26 generation while achieving stable and predictable long-term cash flow. PSE has a
27 strong environmental focus as is evidenced by its (i) commitment to reduce
28 greenhouse gases by 50 percent in 2040, (ii) significant investment in renewable
29 energy, (iii) steps to transition Washington State away from coal, and

1 (iv) decades-long leadership in energy efficiency. PSE's focus on sustainability is
2 consistent with the investment philosophy of PGGM.

3 More generally, the long-term nature of the business strongly matches the long-
4 term nature of the liabilities of the pension funds that make up PGGM. The
5 pension funds have the responsibility to invest plan member contributions to meet
6 long-term pension obligations that are required to be paid out over future decades.
7 This long-term planning horizon requires that PGGM seek to invest in secure
8 entities, characterized by stable cash flows that are anchored in businesses and
9 industries with a proven track record. Therefore, rate-regulated utilities are
10 attractive investments for pension plans in general and PGGM in particular.

11 **Q. Do you foresee any changes to the governance or management of Puget**
12 **Holdings or PSE as a result of an investment by PGGM?**

13 A. No. The existing LLC Agreement for Puget Holdings will continue to govern the
14 board of Puget Holdings if PGGM becomes a member of Puget Holdings through
15 Mount Rainer Utility Holdings LLC. PGGM will be a minority member of Puget
16 Holdings through Mount Rainer Utility Holdings LLC. With respect to the
17 management of PSE, PGGM fully supports PSE management's approach to
18 provide safe, reliable, and affordable service to its customers, and its efforts to
19 increase the sustainability of the utility's energy mix. PGGM anticipates no
20 changes to PSE operations other than those resulting from continuous
21 improvement efforts (best practice management) and in the ordinary course of
22 business.

1 **IV. PGGM'S ACQUISITION OF AN INDIRECT OWNERSHIP**
2 **INTEREST IN PSE IS CONSISTENT WITH THE PUBLIC**
3 **INTEREST**

4 **Q. Is the acquisition of an indirect interest in PSE by PGGM consistent with the**
5 **public interest?**

6 A. Yes. As previously explained, PGGM is a long-term investor without any upfront
7 exit requirement, and it is the understanding of PGGM that the other existing and
8 proposed new investors in Puget Holdings (i.e., Canada Pension Plan Investment
9 Board, OMERS Infrastructure Management Inc., British Columbia Investment
10 Management Corporation, and Alberta Investment Management Corporation)
11 have similar investment philosophies. An established, long-term investor group
12 should provide assurance to the Commission and stakeholders that there will be
13 stability in the ownership of PSE. PGGM, as a long-term investor without any
14 upfront exit requirement, can work together with the other Puget Holdings
15 shareholders to support the company's management in operating PSE in a holistic
16 manner benefitting all stakeholders in the long-run.

17 The PGGM is an experienced and active global infrastructure investor and has
18 significant experience with investments in regulated utility businesses. PGGM
19 strongly believes in a portfolio approach where knowledge is pooled in relevant
20 sectors, such as energy and utilities.

21 PGGM has a strong stewardship towards customer satisfaction, reliability, and
22 safety. PGGM is one of the founding members of the Global ESG Benchmark for
23 Real Assets (GRESB), in which leading institutional investors, such as PGGM,

1 are incorporating environmental, social and governance performance of real assets
2 into their investment processes. GRESB assesses the sustainability performance
3 of real estate and infrastructure portfolios and assets worldwide and offers
4 environmental, social and governance data, scorecards, benchmark reports and
5 portfolio analysis tools. More than 70 institutional and retail investors, including
6 pension funds and insurance companies, use GRESB data and analytical tools to
7 engage with investment managers to enhance and protect shareholder value.
8 GRESB investor members collectively represent over US\$17 trillion in
9 institutional capital.

10 PGGM supports PSE's management's approach to provide safe, reliable and
11 affordable service to its customers and its vision of increasing the sustainability of
12 the energy mix. Currently, PGGM has already invested in close to
13 one (1) gigawatt of renewable generation capacity (comprised of onshore and
14 offshore wind and central and decentralized solar) and expects this to increase
15 further over time. As previously explained, PGGM does not anticipate changes to
16 PSE operations other than those resulting from continuous improvement efforts
17 (best practice management) and in the ordinary course of business.

18 **Q. Has PGGM made regulatory commitments that are consistent with the**
19 **public interest?**

20 A. Yes. In the Purchase and Sale Agreement, PGGM acknowledged, affirmed, and
21 accepted the commitments that have been made, and approved by the

1 Commission in the following proceedings, to the extent that those commitments
2 remain effective:

- 3 (i) the commitments set forth in in Docket U-072375,
4 Attachments A and B to Order 08, *Approving and Adopting*
5 *Settlement Stipulation; Authorizing Transaction Subject to*
6 *Conditions* (the 2008 Acquisition Order);
- 7 (ii) the commitments intended to provide ring-fencing
8 protections separating the operations and financing of PSE
9 from the Puget LNG LLC subsidiary set forth in Docket
10 UG-151663, Order 10, *Final Order Approving and*
11 *Adopting Settlement Stipulation; Reopening Record and*
12 *Amending Order 08 in Docket U-072375*, dated
13 November 1, 2016; and
- 14 (iii) the commitments relating to the Colstrip generating facility
15 set forth in the Multiparty Settlement Stipulation and
16 Agreement, dated September 15, 2017, in Dockets UE-
17 170033 & UG-170034, and authorized to be implemented
18 in Order 08, *Final Order Rejecting Tariff Sheets;*
19 *Approving and Adopting Settlement Stipulation; Resolving*
20 *Contested Issues; and Authorizing and Requiring*
21 *Compliance Filing*, dated December 5, 2017.

22 **Q. Will PGGM promote sustainability and carbon reduction in its role as an**
23 **indirect owner of PSE?**

24 A. Yes. PGGM supports PSE's goal of reducing its carbon footprint by 50 percent by
25 2040. In addition, as previously noted, PGGM has acknowledged, affirmed, and
26 accepted the existing commitments relating to the Colstrip generating facility set
27 forth in the Multiparty Settlement Stipulation and Agreement, dated
28 September 15, 2017, in Dockets UE-170033 & UG-170034.

1 **Q. What is the philosophy of PGGM with respect to investing in sustainability?**

2 A. PGGM is guided by an “Investing in Solutions” program designed to combine
3 financial returns for its clients with a tangible impact on creating a sustainable
4 world. PGGM defines investment in solutions as those that not only yield returns
5 in line with market conditions, but that also yield added social value by
6 contributing to solving local and global problems, such as climate change, water
7 scarcity, food security, and healthcare. As described in our 2017 Responsible
8 Investment Report, “[w]e aim to contribute to a liveable, more sustainable world
9 in which participants receive their pension. After all, a good pension is worth
10 more in a liveable world.”⁶ At the same time, investing in solutions represents a
11 financial opportunity for investors.

12 **Q. How much is PGGM investing in sustainability?**

13 A. PGGM has a target to have invested by 2020 at least €20 billion in solutions for
14 its clients, within the themes of combating climate change, water and food
15 scarcity as well as promoting healthcare. By the end of 2017, PGGM procured
16 €13.7 billion of investments in solutions. Thus far, €6.4 billion has been invested
17 in the climate change category, including sustainable energy and clean technology
18 that contributes to greater efficiency and reduced raw materials wastage. These
19 investments have enabled the generation of 7.8 million megawatt-hours of clean
20 renewable energy and avoided approximately 4 million metric tons of CO₂

⁶ PGGM, *Annual Responsible Investment Report* (2017) at 10, available at https://www.pggm.nl/english/what-we-do/Documents/Annual-Responsible-Investment-report_2017.pdf.

1 emissions. PGGM currently invests in companies and projects with a renewable
2 generation nameplate capacity of close to one (1) gigawatt, spread over various
3 technologies and geographies.

4 **Q. Can you provide some specific examples of these investments?**

5 A. Yes. Examples include the following:

- 6 o Improving the sustainability of heat generation in the
7 Ennatuurlijk network by replacing old gas fired generation
8 through renewable sources of energy (biomass, residual
9 heat). In comparison to individual gas fired boilers, the
10 network reduces the carbon footprint by more than
11 90,000 metric tons of CO₂.
- 12 o Replacing light bulbs in the University Partnership
13 Program student housing portfolio in the United Kingdom
14 with LED lights, reducing energy consumption and need
15 for replacement due to longer life.
- 16 o At Duquesne Light Company, PGGM, along with other
17 shareholders, has encouraged—and continues to
18 encourage—management to invest in electric vehicle
19 penetration, both in the utility’s own fleet and working
20 together with other stakeholders to further increase electric
21 vehicle penetration in the metropolitan Pittsburgh area.
- 22 o Investments in two offshore wind farms, Walney in the
23 United Kingdom (367 MW gross capacity) and Baltic2 in
24 Germany (288 MW gross capacity).
- 25 o Investments in a portfolio of onshore wind parks in Italy,
26 SER (245 MW gross capacity), a portfolio of wind and
27 solar parks in the United States (920 MW gross combined
28 capacity), and a portfolio of residential solar spread across
29 the United States (277 MW gross capacity).

1 **Q. Has PGGM entered into any voting agreements with any of the other**
2 **buyers?**

3 A. Yes. Exhibit F to the Purchase and Sale Agreement includes a Voting Agreement,
4 entered into by PGGM (through Mount Rainier Utility Holdings LLC) and
5 Alberta Investment Management Corporation (i.e., the two members of Puget
6 Holdings who will after completion of the proposed transaction hold less than a
7 20 percent interest in Puget Holdings), according to which their shares in Puget
8 Holdings will be voted in the same manner in respect of matters that require
9 unanimous or supermajority consent of the Puget Holdings members.

10 **Q. Please summarize the benefits that will result from PGGM being authorized**
11 **to acquire an indirect interest in PSE.**

12 A. PGGM is an experienced and active global infrastructure investor, is strongly
13 committed to customer satisfaction, reliability, safety, and sustainability, and has
14 significant experience with investments in regulated utilities. As a long-term
15 investor with an investment horizon of 20 years or more and no exit restrictions,
16 PGGM is well-suited to working with PSE management for the benefit of both
17 ratepayers and shareholders. We look forward to that opportunity.

18 **V. CONCLUSION**

19 **Q. Does this conclude your direct testimony?**

20 A. Yes, it does.