

BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

Docket U-180680
Puget Sound Energy
Sale of Non-Controlling Interest in Puget Holdings LLC

WUTC STAFF INFORMAL DATA REQUEST NO. 004(b)

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(b). Please provide relevant analysis and or documentation demonstrating that the new consortium of owners, collectively and individually, now have and will continue to have the capacity to contribute equity to fund PSE's capital investments as required.

Response:

In Order 08 in Docket U-072375, the Commission explained that the ability of Puget Sound Energy ("PSE") to access capital would improve under the ownership of Puget Holdings, LLC ("Puget Holdings"), citing the highly stable source of significant amounts of equity and credit capital that could be provided by government and private pension and endowment funds:

The evidence manifestly shows that PSE will not be worse off with its new owners than under the status quo in terms of its ability to access needed capital over the foreseeable future. Indeed, the evidence would support finding that PSE's access to capital would improve. The transaction will largely remove PSE from the currently heightened uncertainties of the public equity market, retain its access to the credit markets while gaining assured access to a highly stable source of significant amounts of equity and credit capital – government and private pension and endowment funds. More secure sources of capital are difficult to find.

In the Matter of the Joint Application of Puget Holdings LLC and Puget Sound Energy, Inc., for an Order Authorizing Proposed Transaction, Docket U-072375, Order 08 at ¶ 150 (2008) ("Order 08").

As part of the transaction considered in Docket U-072375, Puget Holdings arranged for credit facilities for each of Puget Energy, Inc. ("Puget Energy") and PSE. In particular, Puget Holdings arranged for a \$1.0 billion credit facility for Puget Energy and a \$0.4 billion credit facility for PSE. See, e.g., Order 08 at ¶ 57. Since that time, the size of credit facilities available to PSE has increased.

Puget Energy currently has access to a multi-year \$800 million revolving credit facility, secured by substantially all of its assets, which has a maturity date of October 25, 2022.

There was \$102.6 million outstanding under the facility as of December 31, 2017. Puget Energy's credit facility includes an expansion feature that could, upon the banks' approval, increase the size of the facility to \$1.3 billion.

PSE also has a separate credit facility, which provides PSE with access to \$800 million in short-term borrowing capability, and includes an expansion feature that could, upon the banks' approval, increase the size of the facility to \$1.4 billion. The PSE credit facility matures on October 25, 2022. As of December 31, 2017, no amounts were drawn and outstanding under the PSE credit facility.

In addition to the potential billions of dollars of credit facilities available to PSE described above, PSE will also continue to fund equity through retained earnings and equity contributions from investors, as required, and this has proven to be a successful and dependable model for financing PSE. The nature of the investors in Puget Holdings will not change as a result of the proposed transactions. Although two investors (Macquarie Infrastructure Partners and Padua MG Holdings LLC) that control assets of government and private pension and endowment funds are exiting their investments in Puget Holdings, their interests are being purchased by two existing investors (Alberta Investment Management Corporation and British Columbia Investment Management Corporation) and two new investors (OMERS Administration Corporation and PGGM) that similarly control assets of government and private pension and endowment funds. Indeed, the assets and financing capacity under control of each of the proposed owners of Puget Holdings (i.e., Alberta Investment Management Corporation, British Columbia Investment Management Corporation, Canada Pension Plan Investment Board, OMERS Administration Corporation, and PGGM) are significant:

- **Alberta Investment Management Corporation.** Alberta Investment Management Corporation managed more than C\$103 billion (US\$81 billion) as of December 31, 2017, on behalf of its clients, the pension plans of most public service employees at the provincial and municipal levels, as well as various provincial and municipal pools of capital, including the Alberta Heritage Savings Trust Fund. Attached as Attachment A is a copy of the most recent annual report of Alberta Investment Management Corporation that discusses assets under its control.
- **British Columbia Investment Management Corporation.** British Columbia Investment Management Corporation managed more than C\$145 billion (US\$112 billion) as of March 31, 2018, on behalf of eleven public sector employee pension plans. Attached as Attachment B is a copy of the most recent annual report of British Columbia Investment Management Corporation that discusses assets under its control.
- **Canada Pension Plan Investment Board.** Canada Pension Plan Investment Board managed more than C\$356 billion (US\$277 billion) as of March 31, 2018, on behalf of over 20 million contributors and beneficiaries. Attached as

Attachment C is a copy of the most recent annual report of Canada Pension Plan Investment Board that discusses assets under its control.

- **OMERS Administration Corporation.** OMERS Administration Corporation managed more than C\$95 billion (US\$75 billion) as of December 31, 2017, on behalf of almost half a million active, deferred and retired employees of nearly 1,000 municipalities, school boards, libraries, police and fire departments, and other local agencies in communities across Ontario. Attached as Attachment D is a copy of the most recent annual report of OMERS Administration Corporation that discusses assets under its control.
- **PGGM.** PGGM managed close to US\$250 billion as of June 30, 2018, on behalf of eleven pension funds representing 3 million participants in the Netherlands. See the Prefiled Direct Testimony of Martijn J. Verwoest, Exh. MJV-1T, at page 4, that explains the assets under PGGM's control.

In short, the investors of Puget Holdings will continue to allow PSE to fund equity through retained earnings and equity contributions from investors, as required, from highly stable and long-term sources of significant capital—government and private pension and endowment funds. As the Commission noted in Order 08, more secure sources of capital are difficult to find.