

**EXH. DAD-1T  
DOCKET U-180680  
WITNESS: DANIEL A. DOYLE**

**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**

**DANIEL A. DOYLE**

**ON BEHALF OF PUGET SOUND ENERGY**

**SEPTEMBER 5, 2018**

**PUGET SOUND ENERGY**

**PREFILED DIRECT TESTIMONY (NONCONFIDENTIAL) OF  
DANIEL A. DOYLE**

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**PUGET SOUND ENERGY**

**PREFILED DIRECT TESTIMONY (NONCONFIDENTIAL) OF  
DANIEL A. DOYLE**

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1 **PUGET SOUND ENERGY**

2 **PREFILED DIRECT TESTIMONY (NONCONFIDENTIAL) OF**  
3 **DANIEL A. DOYLE**

4 **I. INTRODUCTION**

5 **Q. Please state your name, business address, and position with Puget Sound**  
6 **Energy.**

7 A. My name is Daniel A. Doyle. My business address is 10885 NE Fourth Street,  
8 P.O. Box 97034, Bellevue, WA 98009-9734. I am Senior Vice President and  
9 Chief Financial Officer of Puget Sound Energy (“PSE”).

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

12 A. Yes. It is Exh. DAD-2.

13 **Q. What are your duties as Senior Vice President and Chief Financial Officer?**

14 A. As Senior Vice President and Chief Financial Officer, I have the overall  
15 responsibility for the financial management and financial health of PSE, which  
16 includes communicating with the financial community, including lenders and  
17 ratings agencies, overseeing financial strategy and financing programs, and  
18 overseeing PSE’s financial regulatory strategy before the Washington Utilities  
19 and Transportation Commission and before the Federal Energy Regulatory  
20 Commission.

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

2 A. My direct testimony explains that the proposed acquisitions by four investors who  
3 are each acquiring a portion of the approximately 44 percent, minority, non-  
4 controlling interest in Puget Holdings LLC (“Puget Holdings”) that has been held  
5 by funds managed by Macquarie Infrastructure Partners Inc. (“MIP Funds”) and a  
6 Macquarie entity, Padua MG Holdings LLC (together with the MIP Funds,  
7 “Macquarie”) will not affect financial integrity commitments made in Docket U-  
8 072375 that protect PSE’s financial health.

9 **II. THE PROPOSED TRANSACTIONS WILL NOT AFFECT**  
10 **FINANCIAL INTEGRITY COMMITMENTS**  
11 **MADE IN DOCKET U-072375 THAT PROTECT**  
12 **PSE’S FINANCIAL HEALTH**

13 **Q. Please describe the proposed transactions for which Commission approval is**  
14 **sought in this proceeding.**

15 A. Macquarie has executed purchase and sale agreements with four buyers to sell all  
16 of its 43.99 percent interest in Puget Holdings. Two of these buyers are existing  
17 investors in Puget Holdings—Alberta Investment Management Corporation and  
18 British Columbia Investment Management Corporation. Two of these buyers are  
19 new investors in Puget Holdings—OMERS Administration Corporation and  
20 PGGM Vermogensbeheer B.V.<sup>1</sup> OMERS Administration Corporation manages

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<sup>1</sup> PGGM Vermogensbeheer B.V. is the fund manager of the PGGM Infrastructure Fund, for whose benefit Stichting Depository PGGM Infrastructure Funds holds title to its assets (together, “PGGM”). See further description of the PGGM entities in the Prefiled Direct Testimony of Martijn J. Verwoest, Exh. MJV-1T.

1 pension plans for employees of municipalities, school boards, libraries, police and  
2 fire departments, children’s aid societies, and other local agencies across Ontario,  
3 Canada. The economic beneficiaries of PGGM are five Dutch pension funds,  
4 including pension plans for the health care and social work sectors in The  
5 Netherlands. PSE, Alberta Investment Management Corporation, British  
6 Columbia Investment Management Corporation, OMERS Administration  
7 Corporation, and PGGM (together, the “Joint Applicants”) seek Commission  
8 approval of these proposed transactions.

9 **Q. Will the proposed transactions affect financial integrity commitments made**  
10 **in Docket U-072375 that protect PSE’s financial health?**

11 A. No. The proposed transactions will not affect financial integrity commitments  
12 made in Docket U-072375 that protect PSE’s financial health. Each of the four  
13 investors acquiring a portion of Macquarie’s 43.99 percent interest in Puget  
14 Holdings is a highly-qualified pension plan manager with substantial financial  
15 resources and a long-term investment horizon. Their investments reflect a vote of  
16 confidence in the direction, operations and management of PSE.

17 In making their investments, each investor acknowledged, affirmed, and accepted  
18 the commitments that have been made and approved by the Commission, to the  
19 extent that those commitments remain effective. Among those effective  
20 commitments include many financial integrity commitments made in Docket U-  
21 072375 that protect PSE’s financial health, including commitments addressing the  
22 following:

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- commitments to maintain a minimum common equity ratio for PSE;
- commitments that would restrict the ability of PSE to declare dividends under certain circumstances;
- commitments that would restrict the ability of Puget Energy to declare dividends under certain circumstances; and
- commitments that Puget Energy and PSE will continue to be rated by both Standard & Poor’s Ratings Group (“S&P”) and Moody’s Investors Service, Inc. (“Moody’s”).

In short, these important financial integrity commitments that protect PSE’s financial health will, among others, continue after consummation of the proposed transactions.

**Q. Have the Joint Applicants committed to a minimum common equity ratio for PSE?**

A. Yes. The Joint Applicants have agreed to support Commitment 27,<sup>2</sup> which will continue to require PSE to maintain a common equity ratio of not less than 44 percent at all times, except to the extent the Commission establishes a lower equity ratio for ratemaking purposes. Commitment 28 would continue to prohibit PSE from declaring or making any distribution to Puget Energy, Inc. (“Puget Energy”) unless, on the date of such PSE distribution, the PSE common equity ratio after giving effect to the distribution remains at or above 44 percent, or any lower equity ratio established by the Commission for ratemaking purposes.

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<sup>2</sup> All references to commitments in this testimony refer to the commitments provided in the Second Exhibit to the Prefiled Direct Testimony of David E. Mills, Exh. DEM-3.

1 **Q. Have the Joint Applicants made any commitments that would restrict the**  
2 **ability of PSE to declare dividends under certain circumstances?**

3 A. Yes. The Joint Applicants have agreed to support Commitment 32, which will  
4 continue to restrict the ability of PSE to declare or make any distribution unless,  
5 on the date of such distribution, either:

6 (a) The ratio of PSE Earnings Before Interest, Taxes, Depreciation and  
7 Amortization (EBITDA) to PSE interest expense for the most  
8 recently ended four fiscal quarter period prior to such date is equal  
9 or greater than 3.00 to 1.00, or;

10 (b) PSE's corporate credit/issuer rating is investment grade at BBB-  
11 (or its then equivalent) or higher with S&P and Baa3 (or its then  
12 equivalent) or higher with Moody's.

13 If PSE satisfies part (a) above but its corporate credit/issuer rating is downgraded  
14 to a level below BBB- (or its then equivalent) with S&P or Baa3 (or its then  
15 equivalent) with Moody's, then PSE must provide notice to the Commission of  
16 the downgrade within two business days of PSE's receipt of notice of such  
17 downgrade. Following a downgrade, distributions by PSE to Puget Energy will be  
18 limited to an amount sufficient to service debt at Puget Energy, and to satisfy  
19 financial covenants in the credit facilities of Puget Energy. All distributions by  
20 Puget Energy to the special purpose entity Puget Equico LLC ("Puget Equico")  
21 are prohibited in this circumstance.

22 If PSE seeks under these circumstances to make any distribution to Puget Energy  
23 greater than that required to service debt and satisfy financial covenants or if  
24 Puget Energy seeks to make any distribution to Puget Equico whatsoever, PSE



1 and Puget Energy must file a petition with the Commission to show why either of  
2 these distributions should be allowed. Commission approval for any such  
3 distribution is required.

4 **Q. Have the Joint Applicants made any commitments that would restrict the**  
5 **ability of Puget Energy to declare dividends under certain circumstances?**

6 A. Yes. The Joint Applicants have agreed to support Commitment 29, which will  
7 continue to restrict the ability of Puget Energy to declare or make a distribution to  
8 Puget Equico, unless on the date of such distribution, the ratio of Puget Energy's  
9 consolidated EBITDA to consolidated interest expense for the most recently  
10 ended four fiscal-quarter period prior to such date is equal or greater than 2.00 to  
11 1.00.

12 **Q. Will the Thirteenth Condition imposed by the Commission in Docket U-**  
13 **072375, which clarified the operation of the dividend restrictions previously**  
14 **described, continue to apply?**

15 A. Yes. The Joint Applicants have incorporated the Commission's clarification of the  
16 operation of the dividend restrictions in Commitment 32. These clarifications are  
17 as follows:

- 18 (a) If the ratio of PSE EBITDA to PSE interest expense is equal to or  
19 greater than 3.0 and PSE's corporate credit/issuer rating with S&P  
20 and Moody's (or their then equivalents) is investment grade,  
21 distributions from PSE to Puget Energy are not limited so long as  
22 PSE's equity ratio is equal to or greater than 44 percent  
23 [Commitment 28] and distributions from Puget Energy to Puget  
24 Equico are not limited so long as consolidated PSE/Puget Energy  
25 EBITDA to consolidated PSE/Puget Energy interest expense is  
26 equal to or greater than 2.0. [Commitment 29]

1 (b) If the ratio of PSE EBITDA to PSE interest expense is less  
2 than 3.0, but PSE's corporate credit/issuer rating with S&P and  
3 Moody's (or their then equivalents) is investment grade,  
4 distributions from PSE to Puget Energy are not limited so long as  
5 PSE's equity ratio is equal to or greater than 44 percent  
6 [Commitment 28] and distributions from Puget Energy to Puget  
7 Equico are not limited so long as consolidated PSE/Puget Energy  
8 EBITDA to consolidated PSE/Puget Energy interest expense is  
9 equal to or greater than 2.0. [Commitment 29]

10 (c) If the ratio of PSE EBITDA to PSE interest expense is equal to or  
11 greater than 3.0, but PSE's corporate credit/issuer rating with  
12 either S&P or Moody's (or their then equivalents) is not  
13 investment grade, distributions from PSE to Puget Energy are  
14 limited as specified in Commitments 28 and 32, unless allowed by  
15 specific Commission approval. No distributions are allowed from  
16 Puget Energy to Puget Equico.

17 (d) If the ratio of PSE EBITDA to PSE interest expense is less than 3.0  
18 and PSE's corporate credit/issuer rating with either S&P or  
19 Moody's (or their then equivalents) is not investment grade, no  
20 distributions are allowed from PSE to Puget Energy and no  
21 distributions are allowed from Puget Energy to Puget Equico.

22 **Q. Will Puget Energy and PSE continue to be rated by both S&P and Moody's?**

23 A. Yes. The Joint Applicants have agreed to support Commitment 31, which will  
24 continue to require that Puget Energy and PSE be rated by both S&P and  
25 Moody's.

26 **III. CONCLUSION**

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

28 A. Yes, it does.