

**EXH. MEK-1T
DOCKET U-210542
WITNESS: MARY E. KIPP**

**BEFORE THE
WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION**

**IN THE MATTER OF THE JOINT
APPLICATION OF PUGET SOUND
ENERGY, ONTARIO TEACHERS'
PENSION PLAN BOARD, AND
MACQUARIE WASHINGTON
CLEAN ENERGY INVESTMENT,
L.P., FOR AN ORDER
AUTHORIZING PROPOSED SALES
OF INDIRECT INTERESTS IN
PUGET SOUND ENERGY**

Docket U-210542

PREFILED DIRECT TESTIMONY (NONCONFIDENTIAL) OF

MARY E. KIPP

ON BEHALF OF PUGET SOUND ENERGY

AUGUST 13, 2021

PUGET SOUND ENERGY

**PREFILED DIRECT TESTIMONY (NONCONFIDENTIAL) OF
MARY E. KIPP**

CONTENTS

I. INTRODUCTION1

II. THE PROPOSED TRANSACTIONS INVOLVE A CHANGE IN A
MINORITY, NON-CONTROLLING UPSTREAM INTEREST2

III. PSE HAS ACCOMPLISHED GREAT THINGS UNDER PRIVATE
OWNERSHIP AND WILL CONTINUE TO DO SO AFTER THE
PROPOSED TRANSACTIONS.....3

IV. THE PROPOSED TRANSACTIONS WILL NOT AFFECT PSE’S
DAY-TO-DAY OPERATIONS OR MANAGEMENT5

V. THE PSE BOARD OF DIRECTORS WILL CONTINUE TO
INCLUDE LOCAL DIRECTORS AND AN INDEPENDENT
DIRECTOR.....6

VI. CONCLUSION.....8

PUGET SOUND ENERGY

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LIST OF EXHIBITS

Exh. MEK-2 Professional Qualifications of Mary E. Kipp

1 **PUGET SOUND ENERGY**

2 **PREFILED DIRECT TESTIMONY (NONCONFIDENTIAL) OF**
3 **MARY E. KIPP**

4 **I. INTRODUCTION**

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

7 A. My name is Mary E. Kipp. My business address is 355 110th Ave. NE, Bellevue,
8 WA 98009-9734. I am the President and Chief Executive Officer of Puget Sound
9 Energy (“PSE”).

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

12 A. Yes, I have. It is Exh. MEK-2.

13 **Q. What are your duties as President and Chief Executive Officer of PSE?**

14 A. I have overall management responsibility for PSE. In consultation with our
15 executive team and Board of Directors, I set PSE’s strategic business goals and
16 direct our efforts to achieve those goals. I also serve on the boards of PSE, Puget
17 Energy, and Puget Holdings LLC (“Puget Holdings”).

1 **Q. Please summarize the purpose of this prefiled direct testimony.**

2 A. My testimony provides a high-level overview of the sale of Canada Pension Plan
3 Investment Board's ("CPP Investments") non-controlling interest in Puget
4 Holdings to the Ontario Teachers' Pension Plan Board and Macquarie
5 Washington Clean Energy Investment, L.P. (the "Macquarie Fund") through two
6 separate transactions (the "Proposed Transactions"). I testify that the Proposed
7 Transactions will not affect the management or the day-to-day operations of PSE.
8 I further testify that the Board of Directors will continue to include local directors
9 and an independent director at the close of the Proposed Transactions. I
10 demonstrate that the existing members of Puget Holdings are supportive of the
11 Proposed Transactions. As discussed in this and other testimony included in this
12 filing, the Proposed Transactions are in the public interest and should be approved
13 by the Commission.

14 **II. THE PROPOSED TRANSACTIONS INVOLVE A CHANGE IN A**
15 **MINORITY, NON-CONTROLLING UPSTREAM INTEREST**

16 **Q. What is the nature of the Proposed Transactions for which the Joint**
17 **Applicants seek Commission approval?**

18 A. The Joint Applicants seek Commission approval of the sale of a non-controlling,
19 upstream ownership interest in PSE's parent company, Puget Holdings, from an
20 existing investor, CPP Investments to two new investors who will each own one
21 half of CPP Investments' ownership interest in Puget Holdings. The two new

1 investors are the Ontario Teachers' Pension Plan Board and the Macquarie Fund.
2 Neither of the new investors will own a controlling interest in Puget Holdings or
3 PSE once the Proposed Transactions close. The details of the Proposed
4 Transactions are set forth in more detail in the Joint Application and supporting
5 testimony.

6 **III. PSE HAS ACCOMPLISHED GREAT THINGS UNDER**
7 **PRIVATE OWNERSHIP AND WILL CONTINUE**
8 **TO DO SO AFTER THE PROPOSED TRANSACTIONS**

9 **Q. Please briefly describe PSE's history including its current private ownership.**

10 A. For over 100 years, PSE has provided its customers and local communities with
11 electric and/or natural gas service. In 1898, a predecessor company to PSE built
12 the world's first fully underground hydroelectric plant, under 260 feet of volcanic
13 rock at Snoqualmie Falls. That plant still operates today, providing clean energy
14 to thousands of homes. PSE has been providing safe, reliable and affordable
15 service to its customers for more than a century.

16 Approximately twelve years ago, PSE underwent an ownership change. A
17 consortium of investors—which included certain funds of the Macquarie Group
18 and three Canadian pension funds—took PSE private. Since that time, PSE has
19 maintained and grown its local work force, maintained its headquarters in
20 Bellevue, and appointed to its board independent, local board members.

21 Additionally, PSE has made significant investments in clean energy, energy
22 efficiency, local infrastructure, and customer service.

1 **Q. Please summarize the accomplishments PSE has achieved since the**
2 **acquisition of Puget Energy by a consortium of investors in 2009.**

3 A. Under the private ownership that has been in place since 2009, PSE has taken
4 actions and made investments that benefit its customers and the community and
5 has worked constructively with the Commission and stakeholders. PSE intends to
6 continue working with its customers and stakeholders to pursue these and other
7 similar goals. Some of the accomplishments PSE has made under private
8 ownership in the last decade include the following:

- 9 • Sustaining and growing a company-wide safety culture
10 benefitting customers and employees, with emphasis on
11 areas such as pipeline safety, gas leak detection and
12 mitigation, emergency response services, and spill
13 prevention and management, among others. In addition to
14 continually having below industry-averages for employee
15 injuries, PSE has increased its emphasis on mental health
16 and related safety and health trends impacting employees as
17 a result of COVID-19.
- 18 • Helping Washington state transition away from coal, with
19 the retirements of Colstrip Units 1 and 2 in 2019 and the
20 Centralia Coal Plant by 2025.
- 21 • Bringing more clean energy to the Pacific Northwest with
22 the expansion of the Wild Horse Wind Project, construction
23 of Phase 1 of the Lower Snake River Wind Project, and
24 upgrades and modernization of the Baker River and
25 Snoqualmie River Hydroelectric Projects. PSE is the largest
26 producer of wind energy in Washington state, and the
27 fourth largest utility owner of wind power in the nation.
- 28 • In January 2021, PSE set a climate-leading, aspirational
29 goal of being a Beyond Net Zero Carbon energy company
30 by 2045. PSE will reduce its own carbon emissions to net
31 zero and go beyond by helping other sectors to enable
32 carbon reduction across the state of Washington.

- 1 • Investing \$1.2 billion in customers' homes and businesses
2 to help them reduce their energy use and consistently
3 exceed all state-mandated energy conservation savings
4 targets.
- 5 • Creating an innovative industry-leading renewable energy
6 program for PSE's large business and municipal customers
7 to enable 100 percent renewable generation now.
- 8 • Advancing transportation electrification with at-home,
9 workplace, and multifamily charging programs plus public
10 charging sites and targeted support for low income and
11 historically underserved communities.
- 12 • Investing more than \$7 billion in electric and natural gas
13 projects, improving critical infrastructure on which PSE's
14 communities depend.
- 15 • Deploying new web and mobile tools for easy account
16 management, including bill payment and outage
17 information.
- 18 • Earning top performing customer satisfaction scores from
19 J.D. Power among combination natural gas and electric
20 utilities, including ranking as one of the best for customer
21 care in 2020.

22 **IV. THE PROPOSED TRANSACTIONS WILL NOT AFFECT**
23 **PSE'S DAY-TO-DAY OPERATIONS OR MANAGEMENT**

24 **Q. Do you foresee changes to the operations of PSE as a result of the Proposed**
25 **Transactions?**

26 A. No. Upon completion of the Proposed Transactions, I expect PSE to continue
27 operating as we have operated over the past several years. It is my understanding
28 and belief that the change in upstream owners will not affect PSE's day-to-day
29 operations. Each of the two new investors has elected to purchase an indirect
30 ownership interest in PSE precisely because it is a well-managed company. One

1 of the new investors in Puget Holdings (the Ontario Teachers' Pension Plan
2 Board) is a well-qualified and well-established institutional investor new to Puget
3 Holdings. The other new investor (the Macquarie Fund) is an investment fund
4 managed by a well-qualified and well-established institutional investor familiar to
5 Puget Holdings. The Macquarie Fund has a strong understanding of PSE's current
6 business model and strategies, as funds of the Macquarie Group held an indirect
7 ownership interest in PSE for approximately ten years, prior to 2019. The
8 Macquarie Group's desire to participate as an indirect owner in PSE again is an
9 endorsement for PSE and the region. I consider the return of a fund of the
10 Macquarie Group to be a vote of confidence in the current operations and
11 management of PSE.

12 **V. THE PSE BOARD OF DIRECTORS WILL CONTINUE TO INCLUDE**
13 **LOCAL DIRECTORS AND AN INDEPENDENT DIRECTOR**

14 **Q. How will the membership of the board change as a result of the Proposed**
15 **Transactions?**

16 A. CPP Investments will no longer hold a direct ownership interest in Puget
17 Holdings or an indirect ownership interest in PSE and, therefore, will no longer
18 serve on the PSE Board of Directors or on the boards of any of PSE's parent
19 companies. The remaining existing investors in Puget Holdings, and the new
20 investors, will be represented on the boards of PSE and its parent companies.

1 **Q. Will the PSE Board of Directors include an independent director and local**
2 **directors?**

3 A. Yes. The new investors in Puget Holdings have acknowledged and affirmed the
4 commitments from the 2019 Acquisition Order¹ and have agreed to comply with
5 all commitments requiring an independent director and local directors. These
6 commitments ensure that valuable insights and governance contributions are
7 made by locally-based and experienced board members.

8 Please see the Second Exhibit to the Prefiled Direct Testimony of Adrian J.
9 Rodriguez, Exh. AJR-3, for a restatement of these commitments, as revised to
10 reflect the Proposed Transactions.

11 **Q. Are the current investors who are not participating in the Proposed**
12 **Transactions supportive of the Proposed Transactions?**

13 A. Yes. The current investors in Puget Holdings who are not participating in the
14 Proposed Transaction are supportive of the Proposed Transactions.

¹ *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.*, Docket U-180680, Final Order 06 (corrected) (Mar. 11, 2019).

1

VI. CONCLUSION

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Q. Does this conclude your prefled direct testimony?

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A. Yes, it does.