

**EXH. AJR-1T
DOCKET U-210542
WITNESS: ADRIAN J. RODRIGUEZ**

**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

ADRIAN J. RODRIGUEZ

ON BEHALF OF PUGET SOUND ENERGY

AUGUST 13, 2021

PUGET SOUND ENERGY

**PREFILED DIRECT TESTIMONY (NONCONFIDENTIAL) OF
ADRIAN J. RODRIGUEZ**

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PUGET SOUND ENERGY

**PREFILED DIRECT TESTIMONY (NONCONFIDENTIAL) OF
ADRIAN J. RODRIGUEZ**

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1 **PUGET SOUND ENERGY**

2 **PREFILED DIRECT TESTIMONY (NONCONFIDENTIAL) OF**
3 **ADRIAN J. RODRIGUEZ**

4 **I. INTRODUCTION**

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

7 A. My name is Adrian J. Rodriguez. My business address is Puget Sound Energy,
8 355 110th Ave. NE, Bellevue, Washington 98009-9734. I am employed by Puget
9 Sound Energy (“PSE”) as Senior Vice President Regulatory and Strategy.

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. AJR-2.

13 **Q. What are your duties as Senior Vice President Regulatory and Strategy of**
14 **PSE?**

15 A. I lead PSE’s efforts to be our customers’ clean energy partner of choice. I am
16 responsible for PSE’s clean energy strategy, regulatory and government affairs,
17 resource planning, new product development, and energy efficiency.

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

2 A. First, my prefiled direct testimony briefly describes the sale of a non-controlling,
3 minority interest in PSE’s parent company, Puget Holdings LLC (“Puget
4 Holdings”), currently held by Canada Pension Plan Investment Board (“CPP
5 Investments”) to two investors—Ontario Teachers’ Pension Plan Board (“Ontario
6 Teachers”) and the Macquarie Washington Clean Energy Investment, L.P. (the
7 “Macquarie Fund”) (the “Proposed Transactions”). Second, I provide a high-level
8 overview of PSE and its vision for the future, and I testify to my understanding
9 that the Proposed Transactions are supportive of PSE’s current operations and its
10 vision. Third, I discuss the updated commitments that the purchasers are making
11 as a part of the Joint Application. Fourth, I discuss why the Proposed Transactions
12 are consistent with the public interest. Finally, I provide a proposed procedural
13 process for the Commission’s consideration of the Joint Application.

14 **II. DESCRIPTION OF THE PROPOSED TRANSACTIONS**

15 **A. Description of the Proposed Transactions**

16 **Q. Please describe the current ownership structure of Puget Holdings.**

17 A. PSE is indirectly owned by a consortium of investors who are members of Puget
18 Holdings. Table 1 below shows the current ownership structure of Puget
19 Holdings.

1

Table 1. Current Equity Interests in Puget Holdings

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 Vermogensbeheer B.V.	10.02%
Total	100.0%

2

Q. Please describe the Proposed Transactions.

3

A. CPP Investments has executed purchase and sale agreements with two buyers to
 4 sell all of its 31.57 percent interest in Puget Holdings. Once the Proposed
 5 Transactions are completed, CPP Investments will no longer hold an ownership
 6 interest in Puget Holdings or an indirect ownership interest in PSE.

7

Q. Who are the new investors in Puget Holdings?

8

A. The two new investors in Puget Holdings are Ontario Teachers and the Macquarie
 9 Fund.¹

10

Q. What percentage of the Puget Holdings equity interest will each of these investors purchase?

11

12

A. The two purchasers are each purchasing one-half of the entire 31.57 percent
 13 interest in Puget Holdings that is currently held by CPP Investments. Table 2

¹ The Ontario Teachers' Pension Plan Board is introduced in more detail in the Prefiled Direct Testimony of Christopher Parker, Exh. CP-1T, and the Macquarie Fund is introduced in more detail in the Prefiled Direct Testimony of Aaron Rubin, Exh. AR-1T.

1 below shows the share of Puget Holdings that will be purchased by each of the
2 investors.

3 **Table 2. Purchasers of the Interest in Puget Holdings and**
4 **Percent of Equity Interest in Puget Holdings Being Purchased**

Ontario Teachers' Pension Plan Board	15.785%
Macquarie Washington Clean Energy Investment, L.P.	15.785%
<hr/>	
Total	31.57%

5 **Q. What will be the ownership structure of Puget Holdings following the**
6 **completion of the Proposed Transactions?**

7 A. The ownership structure following the completion of the Proposed Transactions is
8 shown in Table 3 below.

9 **Table 3. Equity Interests in Puget Holdings Resulting from**
10 **the Sale of CPP Investments' Interest in Puget Holdings**

OMERS Administration Corporation	23.94%
British Columbia Investment Management Corporation	20.87%
Ontario Teachers' Pension Plan Board	15.785%
Macquarie Washington Clean Energy Investment, L.P.	15.785%
Alberta Investment Management Corporation	13.60%
PGGM Vermogensbeheer B.V.	10.02%
<hr/>	
Total	100.0%

11 As Table 3 demonstrates, no owner will hold a controlling interest in Puget
12 Holdings following the completion of the Proposed Transactions.

1 **Q. Why are the Joint Applicants seeking Commission approval of the Proposed**
2 **Transactions?**

3 A. The Commission must approve any sale that constitutes ten percent or more of the
4 equity ownership of Puget Holdings or PSE pursuant to the terms of the
5 Commission’s 2019 Acquisition Order.²

6 **B. Description of the New Investors in Puget Holdings**

7 **Q. Please describe the investors who are purchasing CPP Investments’ interest**
8 **in Puget Holdings.**

9 A. I will provide a brief overview of the new investors in Puget Holdings based on
10 my understanding. Each investor has provided a more detailed description in their
11 prefiled direct testimony, including why they are interested in investing in PSE’s
12 parent company, Puget Holdings.

13 Ontario Teachers: As discussed in the Prefiled Direct Testimony of Christopher
14 Parker, Exh. CP-1T, the Ontario Teachers’ Pension Plan is Canada’s largest
15 single-profession pension plan. The Ontario Teachers’ Pension Plan pays
16 pensions and invests plan assets on behalf of 331,000 retired and working

² *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) ¶ 57 (Mar 11, 2019), Appendix A to the Multiparty Settlement Stipulation and Agreement, at 4 (collectively, the “2019 Acquisition Order”).

1 teachers. Ontario Teachers manages net assets of approximately \$C221.2 billion
2 as of December 31, 2020.

3 The infrastructure portfolio of Ontario Teachers consists of nearly C\$17.8 billion
4 as of December 31, 2020, and is diversified by geography, development stage,
5 and industry. The infrastructure portfolio includes investments in airports, toll
6 roads, container terminals, a desalination facility, electric and natural gas
7 distribution systems, and renewable power generation assets among others. More
8 detail is provided in the Prefiled Direct Testimony of Christopher Parker,
9 Exh. CP-1T.

10 The Macquarie Fund: As discussed in the Prefiled Direct Testimony of Aaron
11 Rubin, Exh. AR-1T, the Macquarie Fund is a limited partnership controlled and
12 managed by a general partner, Macquarie Energy Partners GP LLC. There will be
13 three limited partners to the Macquarie Fund. Two clients of the Macquarie
14 Group—Sunsuper Superannuation Fund (“Sunsuper”) and the National Pension
15 Service of Korea (“NPS”)—have made equity commitments to, and will become
16 limited partners in, the Macquarie Fund. The Macquarie Group intends to fulfill
17 its equity commitment to the Macquarie Fund through the third limited partner,
18 MGIF Clean Energy, L.P., as explained in the Prefiled Direct Testimony of Aaron
19 Rubin, Exh. AR-1T.

20 As typical of limited partnerships, the Macquarie Fund will have a general partner
21 who oversees running the business, and the limited partners will not be involved

1 in the day-to-day side of operations. None of the limited partners (i.e., Sunsuper,
2 NPS, and MGIF Clean Energy, L.P.) will participate in controlling or managing
3 the Macquarie Fund. Macquarie Energy Partners GP LLC, the general partner,
4 will exclusively manage and control the Macquarie Fund.

5 **III. THE PROPOSED TRANSACTIONS REPRESENT A VOTE OF**
6 **CONFIDENCE IN THE DIRECTION, OPERATIONS**
7 **AND MANAGEMENT OF PSE**

8 **A. Overview of PSE and Its Vision For the Future**

9 **Q. Please provide a high-level overview of PSE and its vision for the future.**

10 A. PSE and its predecessor companies have served Western Washington for more
11 than a century. In that time, customers' needs have continuously evolved, with
12 today's customers having increasing expectations for energy services and
13 customer experience. PSE is committed to meeting those expectations and has
14 built its vision for the future on that "voice of the customer." Currently, PSE's
15 customers continue to expect safe, reliable and affordable energy service, but also
16 lower emission energy sources and options for choice and control from their
17 utility.

18 PSE is Washington's largest electric and natural gas utility, with approximately
19 1.1 million electric customers and approximately 900,000 natural gas customers.
20 PSE employs more than 3,000 Washington residents and covers a service territory
21 that spans approximately 6,000 square miles in ten counties. PSE owns and
22 maintains more than 20,000 miles of electric transmission and distribution lines

1 and underground cables to deliver electricity to its customers. Additionally, PSE
2 owns and maintains approximately 26,000 miles of natural gas lines that serve its
3 natural gas customers.

4 PSE has been a leader in the development of renewable and low-carbon resources,
5 and it is PSE's vision to serve customers' needs with an increasingly cleaner
6 portfolio of energy resources. PSE remains one of the country's largest utility-
7 owners of wind assets, and its power portfolio includes more than 800 MW of
8 wind generation. Throughout its history, PSE has built, owned and operated
9 FERC-licensed hydroelectric plants that have provided low-cost, reliable, carbon-
10 free energy to Washington residents for more than a hundred years. PSE
11 continues that legacy through recent upgrades to its Snoqualmie Falls and Baker
12 River Hydroelectric Projects. Those recent upgrades increased the carbon-free
13 power generated from those plants and ensured compliance with FERC license
14 requirements.

15 PSE's bedrock is the delivery of safe, reliable and affordable energy services.
16 PSE's vision going forward is to build upon that bedrock with greater offerings
17 that give customers choices in their source of power, ability to monitor and
18 conserve usage, and avenues for contacting PSE. PSE is offering greater options
19 for customers who want to purchase renewable power in the future. PSE has long
20 been a leader in energy efficiency and conservation programs and will continue to
21 work with stakeholders to develop incentives that encourage the efficient use of

1 energy by customers. PSE will increase its capacity to anticipate customer needs
2 and provide more options for customers to interact with their utility.

3 **Q. What steps has PSE taken to provide reliable utility service that protects the**
4 **environment and gives customers more choices?**

5 A. Customers have a growing interest in the environmental impact of their energy
6 consumption. The preeminent environmental issue being discussed today is how
7 to address factors that contribute to global climate change, particularly the
8 emission of carbon dioxide (CO₂). As owners of some of the largest stationary
9 sources of CO₂, utilities are a key stakeholder in that discussion. PSE, its
10 customers, and the state of Washington, recognize the need to address climate
11 change, and CO₂ emissions in particular. PSE understands this concern and is
12 offering solutions to increase sources of clean energy and reduce sources of
13 carbon-intensive energy. For example, PSE recently began offering a voluntary
14 tariffed service that allows larger customers the option to purchase renewable
15 energy from resources PSE owns or contracts for, and also to purchase renewable
16 energy credits (“RECs”) generated from electric production. This initiative
17 supplements PSE’s successful green power program that allows customers to
18 support locally-sourced Green-e certified energy sources. This program is
19 structured around the purchase of RECs that supplement the revenues received by
20 the green resource owners through their traditional power sales agreements.

1 Another step PSE has taken to address environmental concerns is the closure of
2 Colstrip Units 1 and 2, of which PSE is a 50 percent owner. PSE closed these
3 units in December 2019.

4 Additionally, PSE is working diligently to meet the clean electricity milestones
5 set forth in the Clean Energy Transformation Act, which Governor Inslee signed
6 into law in 2019.

7 Most recently, PSE set an aspirational goal to become a Beyond Net Zero Carbon
8 company by 2045. This includes PSE's goals to:

- 9 • reduce emissions from PSE electric and gas operations and
10 electric supply to net zero by 2030 and that by 2045, PSE
11 will have a 100 percent carbon-free electric supply;
- 12 • reach net zero carbon emissions for natural gas used in
13 customer homes and businesses by 2045, with an interim
14 target of a 30 percent emissions reduction by 2030; and
- 15 • go beyond reducing reported emissions by partnering with
16 customers and industry to reduce carbon across sectors and
17 across the state.³

³ Puget Sound Energy, *Beyond Net Zero Carbon by 2045: Together, Creating a Clean Energy Future for All*, available at <https://www.pse.com/pages/together>.

1 **B. The Proposed Transactions Will Not Impede and Will Support PSE’s Vision**
2 **For the Future**

3 **Q. Will the Proposed Transactions affect PSE’s ability to move forward with its**
4 **vision for the future?**

5 A. No. As PSE understands the Proposed Transactions, they will not affect PSE’s
6 ability to move forward with its vision for the future. PSE’s understanding is that,
7 by investing in PSE, each investor supports the development of sustainable forms
8 of electricity generation. Each investor has testified to their support of PSE’s
9 strong environmental focus as is evidenced by PSE’s (i) aspirational goal to
10 become a Beyond Net Zero carbon company by 2045, (ii) significant investment
11 in renewable energy, (iii) steps to transition Washington State away from coal,
12 and (iv) decades-long leadership in energy efficiency. In sum, it is PSE’s
13 understanding that each investor supports PSE’s strong management, its focus on
14 environmental sustainability, and the regulatory environment in which it operates.
15 Based on the testimony provided by the purchasers, PSE does not believe that the
16 Proposed Transactions will affect PSE’s ability to realize its vision for the future.

17 **Q. Does PSE foresee any changes to the governance or management of Puget**
18 **Holdings or PSE as a result of the Proposed Transactions?**

19 A. No. PSE does not foresee any changes. It is PSE’s understanding that, following
20 the closing of the Proposed Transactions, Puget Holdings and PSE will continue
21 operating in much the same way they have operated over the past several years.
22 With respect to the governance of Puget Holdings, it is PSE’s understanding that

1 the existing limited liability company agreement that has governed Puget
2 Holdings board activities for the past decade will continue to govern the board
3 after the sale of CPP Investments' interest. After acquiring a share of Puget
4 Holdings, Ontario Teachers and the Macquarie Fund each will be a minority,
5 indirect owner of Puget Holdings, and neither of these investors, nor any of the
6 other investors in PSE, will hold a controlling interest in Puget Holdings or PSE.

7 This is consistent with the current ownership structure of Puget Holdings. Indeed,
8 as the new investors have testified, one of the reasons Ontario Teachers and the
9 Macquarie Fund seek to obtain an indirect ownership interest in PSE is because
10 PSE is a reputable, well-run utility with stable regulatory oversight and a strong
11 management team.

12 **IV. THE JOINT APPLICANTS SUPPORT THE**
13 **COMPREHENSIVE COMMITMENTS APPROVED BY**
14 **THE COMMISSION IN DOCKET U-180680**

15 **Q. Have Ontario Teachers and the Macquarie Fund pledged to support the**
16 **commitments that the Commission approved in the 2019 Acquisition Order?**

17 A. Yes, as stated in the Prefiled Direct Testimony of Christopher Parker, Exh. CP-
18 1T, and the Prefiled Direct Testimonies of Aaron Rubin, Exh. AR-1T, each of
19 Ontario Teachers and the Macquarie Fund, respectively, has acknowledged,
20 affirmed, and accepted the commitments that were approved by the Commission
21 less than three years ago, to the extent those commitments remain effective. The
22 commitments approved by the Commission in that docket are comprehensive and

1 address the following topics: (i) governance and operations commitments;
2 (ii) regulatory commitments; (iii) ring-fencing and financial commitments;
3 (iv) community and low-income commitments; (v) environmental commitments;
4 (vi) energy efficiency commitments; (vii) Colstrip commitments; (viii) liquefied
5 natural gas (LNG) commitments; and (ix) miscellaneous commitments.

6 **Q. What changes have been made to update the commitments that the**
7 **Commission approved in the 2019 Acquisition Order?**

8 A. Certain of the commitments have been fulfilled, and those commitments have
9 been removed from the commitment list. PSE's aspirational goal to become a
10 Beyond Net Zero Carbon company by 2045 is now included in the commitments,
11 replacing an earlier PSE carbon reduction goal that was included in the
12 commitments in the 2019 Acquisition Order. Additionally, language was updated
13 to make clear that the commitments from the 2019 Acquisition Order apply to this
14 current docket for the new investors.

15 Please see the Second Exhibit to the Prefiled Direct Testimony of Adrian J.
16 Rodriguez, Exh. AJR-3, for an updated list of commitments

17 Please see the Third Exhibit to the Prefiled Direct Testimony of Adrian J.
18 Rodriguez, Exh. AJR-4, for a comparison of the updated list of commitments
19 against the commitments from the 2019 Acquisition Order.

1 **V. THE PROPOSED TRANSACTIONS ARE CONSISTENT**
2 **WITH THE PUBLIC INTEREST**

3 **Q. Are the Proposed Transactions consistent with the public interest?**

4 A. Yes. The Proposed Transactions involve a change in a minority, non-controlling,
5 upstream interest in PSE’s parent company, Puget Holdings. As such, my
6 understanding is that there will no change in PSE’s day-to-day operations and the
7 change in minority, upstream ownership will not harm customers. All the ongoing
8 commitments—including the ring-fencing commitments that protect customers
9 from potential risks associated with upstream ownership changes—that were
10 reaffirmed and agreed to in 2019 will remain, with minor clarifications and
11 updates. Additionally, the purchasers have committed their support for PSE’s
12 aspirational goal to become a Beyond Net Zero Carbon company by 2045.

13 The new investors have testified that they are well-qualified, institutional
14 investors, with significant experience investing in the energy sector, renewable
15 energy and regulated utilities. They have further testified that their investment
16 philosophies match well with PSE’s business model, creating an important and
17 strong alignment of purpose. It is my understanding that they are committed to
18 sustainability and carbon reduction, and they are committed to PSE’s mission
19 statement to provide safe, clean, and reliable electric and natural gas service to its
20 customers.

1 **VI. THE JOINT APPLICANTS' PROPOSED PROCEDURAL**
2 **SCHEDULE FOR COMMISSION APPROVAL**

3 **Q. Do the Joint Applicants have a proposed procedural schedule for the**
4 **Commission's consideration of the Joint Application?**

5 A. Yes. The Joint Applicants request that the Commission consider the Joint
6 Application through the Open Meeting process. Specifically, the Joint Applicants
7 request that the Commission allow a 60-75 day period for review of the Joint
8 Application and supporting evidence, starting from the date of the filing of the
9 Joint Application. The Joint Applicants will respond to informal discovery from
10 stakeholders regularly granted intervention in PSE's cases. PSE requests the
11 Commission consider approval of the Joint Application at an Open Meeting in
12 November 2021.

13 **Q. Why is it appropriate for the Commission to consider the Joint Application**
14 **in an Open Meeting rather than an adjudicative proceeding?**

15 A. An adjudication is not required for a transfer of ownership proceeding. WAC 480-
16 143-160 makes clear that the Commission has discretion, but is not required, to
17 set this matter for hearing in an adjudicative proceeding.

18 In Docket U-180680, the Commission considered a similar transfer of a minority
19 upstream ownership interest in PSE. In that case the Commission initially set the
20 matter for consideration at an Open Meeting approximately 60 days after the
21 initial filing. Ultimately, two of the three Commissioners determined at the Open

1 Meeting to set the matter for adjudication for two reasons: (i) the Commission had
2 not evaluated a proposed transfer of a non-controlling interest in a privately held
3 company since RCW 80.12.020 was amended; and (ii) an evidentiary proceeding
4 would increase transparency and give stakeholders access to sensitive commercial
5 documents that may have relevance to the proceeding. The third Commissioner,
6 in dissent, found that an adjudication was unnecessary.

7 In this case, the reasons the Commission cited in 2018 for converting the
8 proceeding to an adjudication are no longer present. First, the Commission has
9 previously determined that the no harm standard applies in a transfer of non-
10 controlling ownership interest, such as this. Unlike the 2018 proceeding, this is
11 not the first case to be considered after RCW 80.12.020 was amended. Second,
12 the Joint Applicants have developed an approach that promotes transparency in
13 the open meeting process. The Joint Applicants are making available documents
14 of the type that were produced in the 2018 case and that are relevant to this
15 proceeding. The Joint Applicants will allow stakeholders who are routinely
16 granted full intervention in PSE's rate cases and transfer of ownership
17 proceedings to view these documents, and the Joint Applicants will respond to
18 informal discovery from these stakeholders. Thus, the two grounds for converting
19 the proceeding to an adjudication in Docket U-180680 are not present in this case.

20 Additionally, the commitments made by the new buyers are generally up to date,
21 having been approved by the Commission less than three years ago. Further, there
22 is no change to the upstream ownership structure of Puget Holdings as a result of

1 the Proposed Transactions; it will continue to be owned by a consortium of well-
2 qualified investors, none of which holds a controlling interest in Puget Holdings.

3 In summary, there is no need for a lengthy, adjudicated proceeding and the Joint
4 Applicants believe that the Joint Application can be addressed through an Open
5 Meeting. If the Commission elects not to consider the Joint Application in an
6 Open Meeting and sets it for adjudication, the Joint Applicants request an
7 expedited procedural schedule which will result in a Commission order by
8 December 31, 2021.

9 **VII. CONCLUSION**

10 **Q. Does this conclude your prefiled direct testimony?**

11 A. Yes, it does.