

**EXH. AM-1T  
DOCKET U-180680  
WITNESS: AHMED MUBASHIR**

**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**

**AHMED MUBASHIR**

**ON BEHALF OF ALBERTA INVESTMENT  
MANAGEMENT CORPORATION**

**SEPTEMBER 5, 2018**

**ALBERTA INVESTMENT MANAGEMENT CORPORATION**

**PREFILED DIRECT TESTIMONY (NONCONFIDENTIAL) OF  
AHMED MUBASHIR**

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**ALBERTA INVESTMENT MANAGEMENT CORPORATION**

**PREFILED DIRECT TESTIMONY (NONCONFIDENTIAL) OF  
AHMED MUBASHIR**

**LIST OF EXHIBITS**

- |           |                             |
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| Exh. AM-2 | Summary of Qualifications   |
| Exh. AM-3 | AIMCo Transaction Documents |

1                   **ALBERTA INVESTMENT MANAGEMENT CORPORATION**

2                   **PREFILED DIRECT TESTIMONY (NONCONFIDENTIAL) OF**  
3                   **AHMED MUBASHIR**

4                   **I.       INTRODUCTION**

5       **Q.     Please state your name, business address, and position with Alberta**  
6       **Investment Management Corporation.**

7       A.     My name is Ahmed Mubashir. My business address is 1100-10830 Jasper  
8             Avenue, Edmonton, Alberta T5J 2B3, Canada. I am one of the Portfolio Managers  
9             for the Infrastructure and Timber group at Alberta Investment Management  
10            Corporation (“AIMCo”).

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

13      A.     Yes, I have. It is Exhibit No. AM-2.

14      **Q.     What are your duties as Portfolio Manager for Infrastructure and Timber at**  
15      **AIMCo?**

16      A.     As a Portfolio Manager for the Infrastructure and Timber group at AIMCo, my  
17             responsibilities could be broadly split in two categories. First, I am responsible for  
18             the pursuit of new investment opportunities in the infrastructure space. This  
19             includes overseeing all aspects of transaction origination, due diligence and  
20             execution. Second, I am responsible for asset management with respect to existing  
21             investments. Asset management includes monitoring the financial and operational

1 performance of existing investee companies and supporting the management  
2 teams of those companies.

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

4 A. This prefiled direct testimony provides support for the approximately six percent  
5 increase in its equity interest in Puget Holdings to be acquired by AIMCo. First,  
6 this prefiled direct testimony provides an overview of (i) the proposed transaction;  
7 (ii) AIMCo; and (iii) AIMCo's investment history and investment strategy.  
8 Second, this prefiled direct testimony explains that PSE's strong management,  
9 focus on environmental sustainability, and supportive regulatory environment  
10 make it an attractive continued investment for AIMCo. Third, this prefiled direct  
11 testimony discusses why the proposed acquisition by AIMCo of a portion of  
12 Macquarie's indirect interest in PSE is consistent with the public interest. Finally,  
13 this prefiled direct testimony discusses the relationship between AIMCo and the  
14 Province of Alberta.

15 **II. DESCRIPTION OF THE PROPOSED TRANSACTION AND AIMCO'S**  
16 **QUALIFICATION AS AN INVESTOR**

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

18 **Q. What is the nature of the transaction for which AIMCo seeks Commission**  
19 **approval?**

20 A. AIMCo and the Joint Applicants seek Commission approval of the sale of the  
21 equity interest in Puget Holdings currently held by funds managed by Macquarie  
22 Infrastructure Partners and a Macquarie entity, Padua MG Holdings LLC

1 (collectively, “Macquarie”). Macquarie owns a 43.99 percent equity interest in  
2 Puget Holdings and intends to sell all of its ownership interest in Puget Holdings  
3 to four buyers, including AIMCo. Collectively these sales are referred to as the  
4 “Proposed Transactions.” AIMCo currently holds a 7.59<sup>1</sup> percent equity interest  
5 in Puget Holdings and a similar indirect ownership interest in PSE. With the  
6 closing of the sale, AIMCo would increase its non-controlling, indirect interest in  
7 PSE to approximately 13.60 percent.

8 Please see the Second Exhibit to the Prefiled Direct Testimony of Ahmed  
9 Mubashir, Exh. AM-3, for a copy of the transaction documents by which AIMCo  
10 is acquiring an additional 6.01 percent of Puget Holdings.

11 **Q. Why is AIMCo seeking Commission approval of the transaction?**

12 A. AIMCo’s understanding is that the Commission must approve any sale that  
13 constitutes ten percent or more of the equity ownership of Puget Holdings or PSE,  
14 pursuant to the terms of the 2008 Acquisition Order.<sup>2</sup> Although the additional  
15 investment in PSE that AIMCo is acquiring is less than ten percent of the equity  
16 ownership of Puget Holdings or PSE, the buyers of Macquarie’s 43.99 percent  
17 equity interest in Puget Holding are joining with PSE to request Commission  
18 approval of the Proposed Transactions.

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<sup>1</sup> Percentages have been rounded to nearest one hundredth of one percent.

<sup>2</sup> *In re the Joint Application of Puget Holdings LLC and Puget Sound Energy, Inc. For an Order Authorizing Proposed Transaction*, Docket U-072375, Attachments A and B to Order 08, Approving and Adopting Settlement Stipulation; Authorizing Transaction Subject to Conditions (the “2008 Acquisition Order”).

1 **B. Description of AIMCo**

2 **Q. What is AIMCo?**

3 A. Since 2009, AIMCo has been an indirect owner of PSE and has owned an equity  
4 interest in Puget Holdings, with its current ownership at 7.59 percent. Based in  
5 Edmonton, Alberta, AIMCo is one of the largest institutional investment  
6 managers in Canada with C\$107 billion in assets under management as of  
7 March 31, 2018. AIMCo provides investment management services to entities in  
8 various public-sector bodies of the Province of Alberta. AIMCo manages funds  
9 for a diverse group of Alberta public sector clients, including pension funds,  
10 endowment funds and general and specific government funds.

11 AIMCo's pension fund clients include public servants, health care workers,  
12 academic staff, police officers, and provincial judges. AIMCo's endowment  
13 clients include the provincial heritage savings fund, long term disability fund and  
14 other endowment funds that provide funding for undergraduate scholarships and  
15 medical, science, and engineering research. AIMCo's government and specialty  
16 fund clients include Government of Alberta funds with short term fixed income  
17 mandates and other provincial and municipal arms-length organizations.

18 Approximately 75 percent of AIMCo funds are managed internally.

1 **C. AIMCo Investment History and Investment Strategy**

2 **Q. Describe AIMCo's existing investments including the dollar value of assets**  
3 **under administration and a description of major asset classes and**  
4 **investments.**

5 A. As of March 31, 2018, AIMCo had approximately C\$107 billion in assets under  
6 management. Its asset mix consists of Money Market and Fixed Income  
7 (approximately 39 percent), Equities (approximately 38 percent), and Private  
8 Investments (including Infrastructure, Timberlands, Real Estate and Private  
9 Equity) (approximately 24 percent). AIMCo's Infrastructure group has been an  
10 active investor since 2003 and holds 14 principal investments and 10 externally-  
11 managed funds. AIMCo's Infrastructure group acquires and manages long-term,  
12 primarily equity positions in OECD<sup>3</sup>-based infrastructure assets. These assets  
13 typically provide essential services to the public, have an operating history and  
14 are either regulated or have highly contracted revenues. Infrastructure investments  
15 include utilities, energy/power (generation, transmission and distribution  
16 networks, pipelines), transportation (toll roads, airports, seaports), and  
17 telecommunications. The group primarily makes direct investments in  
18 infrastructure but will also selectively consider externally managed funds.

19 AIMCo's Infrastructure group currently has over C\$6.6 billion invested, and an  
20 additional significant amount has been allocated by AIMCo clients for additional

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<sup>3</sup> OECD is the Organisation for Economic Co-operation and Development:  
<http://www.oecd.org/>.



1 investments in infrastructure in the future, providing AIMCo with significant  
2 capital for further investments in this asset class.

3 AIMCo acquired an equity interest in Puget Holdings in 2009 and has maintained  
4 its ownership of Puget Holdings since that time. AIMCo's initial ownership share  
5 was 6.3 percent, but it slightly increased its ownership to the current 7.59 percent  
6 through small acquisitions from other interest holders in 2009 and 2017.

7 **Q. How will AIMCo fund its purchase of an increased ownership interest in**  
8 **Puget Holdings?**

9 A. AIMCo currently has significant unallocated funds to invest in the infrastructure  
10 space and therefore is ready to fund its increased investment in Puget Holdings.

11 **Q. In addition to AIMCo's ownership in Puget Holdings since 2009, has AIMCo**  
12 **invested in other energy or utility assets?**

13 A. Yes. In addition to AIMCo's current long-term ownership interest in Puget  
14 Holdings, AIMCo has made significant investments in utility and energy  
15 industries in both the United States and abroad, providing substantial experience  
16 investing in regulated energy and utility sectors. Infrastructure and energy  
17 investments of this kind are made on a long-term basis and are diversified  
18 geographically and across utility sectors. Some examples of energy sector  
19 investments by AIMCo in addition to Puget Holdings include sPower, a leading  
20 independent renewables power producer with over 1,200 megawatts ("MW") of  
21 operating solar and wind projects across more than 150 utility and distributed  
22 electrical generation systems across the U.S.; Howard Midstream Energy

1 Partners, LLC, a midstream natural gas provider with assets in Texas and  
2 Pennsylvania; Catalyst Midstream Partners LLC, a midstream service provider  
3 providing pipeline and other related services operating in Texas; Linden  
4 Cogeneration, a 943-MW natural gas-fired combined-cycle cogeneration plant  
5 located in Linden, New Jersey that serves as a critical supplier of power to New  
6 York City; D. E. Shaw Renewable Investments, L.L.C. (DESRI), who currently  
7 owns and operates more than 1,200 MW of U.S. solar and wind generation;  
8 Inversiones Grupo Saesa Limitada, which is the third largest regulated electricity  
9 transmission and distribution utility in Chile; and the operations of two renewable  
10 energy projects located in Pincher Creek, Alberta in conjunction with Enel S.p.A.  
11 and Enel Green Power North America, Inc., the U.S.-based renewables subsidiary  
12 of Enel.

13 **III, PSE IS AN ATTRACTIVE CONTINUED INVESTMENT FOR AIMCO**  
14 **DUE TO ITS STRONG MANAGEMENT, ENVIRONMENTAL**  
15 **FOCUS AND SUPPORTIVE REGULATORY ENVIRONMENT**

16 **Q. Why is AIMCo interested in increasing its indirect ownership interest in**  
17 **PSE?**

18 A. AIMCo has been an equity holder of Puget Holdings since 2009 and has  
19 developed a strong understanding and appreciation of PSE's business and  
20 management philosophy. PSE is a well-managed company with a proven track  
21 record, which is an important factor for AIMCo when considering investment  
22 opportunities. As a long-term investor, AIMCo has been, and will continue to be,  
23 supportive of PSE's commitment to customer satisfaction, reliability, safety and

1 reasonable rates. AIMCo considers PSE a core infrastructure asset and a long-  
2 term holding that is ideally suited for its client base and their long-term pension  
3 and endowment requirements.

4 **Q. Describe AIMCo’s commitment to renewables, clean energy, carbon**  
5 **reduction, environmental stewardship.**

6 A. In 2010, AIMCo became a signatory to the United Nations-backed Principles for  
7 Responsible Investment (“PRI”), making a formal, public commitment to  
8 integrating consideration of environmental, social and governance (“ESG”)  
9 factors across the investment decision-making process. AIMCo’s board-approved  
10 Responsible Investment Policy applies to all assets under management and is  
11 guided by our fiduciary duty, core values and a long-term investment horizon.  
12 AIMCo is a signatory to the Carbon Disclosure Project (“CDP”), CDP Water and  
13 CDP Forests, and is a co-founder and active advisory board member of GRESB  
14 Infrastructure –a global sustainability benchmarking tool used to identify best and  
15 normative ESG practices for infrastructure funds and assets. Climate change has  
16 been a key ESG focus area for AIMCo since 2015, and we were one of the first  
17 Canadian institutional investors to conduct carbon footprinting and to post a  
18 strategic response to climate change on our website. AIMCo’s exposure to  
19 renewables and clean energy continues to grow organically over time, consistent  
20 with the business case for investing in well-governed, well-managed assets in  
21 these sectors.

1 AIMCo adopted bespoke Infrastructure and Timber Sustainability Guidelines in  
2 2014, which consider ESG risks and opportunities across the investment process.  
3 As a member of the PRI Sustainable Development Goals (“SDGs”) committee,  
4 AIMCo fully recognizes the infrastructure portfolio’s contribution to progress on  
5 SDGs such as sustainable cities and communities, affordable and clean energy  
6 and decent work and economic growth, amongst others.

7 AIMCo continues to exemplify leadership in the Responsible Investment space,  
8 and recently announced our participation, along with other global institutional  
9 investors, to address key G7 objectives, including enhancing expertise in  
10 sustainable infrastructure and encouraging widespread adoption of climate-related  
11 financial disclosures.

12 Accordingly, PSE’s long-term development objectives and environmental focus  
13 align with AIMCo’s interests, which AIMCo has endorsed throughout its  
14 ownership history. PSE has a strong environmental focus as is evidenced by its  
15 (i) commitment to reduce greenhouse gases 50 percent by 2040, (ii) significant  
16 investment in renewable energy, (iii) steps to transition the State of Washington  
17 away from coal, and (iv) decades-long leadership in energy efficiency. This focus  
18 on environmental sustainability is consistent with AIMCo’s investment  
19 philosophy, and AIMCo will continue to support PSE in these and other key  
20 efforts.

1 **Q. Will AIMCo promote sustainability and carbon reduction in its role as an**  
2 **indirect owner of PSE?**

3 A. Yes. AIMCo has committed to support PSE's goal to reduce its carbon footprint  
4 by 50 percent by 2040.

5 **Q. Do you foresee any changes to the governance or management of Puget**  
6 **Holdings or PSE as a result of the Proposed Transactions?**

7 A. No. Following the closing of the Proposed Transactions, AIMCo expects both  
8 Puget Holdings and PSE to continue operating in much the same way they have  
9 operated over the past several years. With respect to the governance of Puget  
10 Holdings, the existing LLC Agreement that has governed board activities for the  
11 past decade will continue to govern the board of Puget Holdings after the sale of  
12 Macquarie's interest. Even with its increased interest, AIMCo will continue to be  
13 a minority, indirect owner of Puget Holdings, and neither AIMCo nor any of the  
14 other investors in PSE will hold a controlling interest in Puget Holdings or PSE.  
15 This is consistent with the current ownership structure of Puget Holdings.

16 With respect to the management of PSE, AIMCo wishes to increase its indirect  
17 ownership interest in PSE precisely because it is a reputable, well-run utility with  
18 stable regulatory oversight and a strong management team. AIMCo expects PSE  
19 to operate in the same manner as it has been operating over the past decade.

20 AIMCo does not anticipate material changes to PSE's operations after the  
21 transaction, and firmly supports the continuity of PSE's management.

1       **IV.    AIMCO’S ACQUISITION OF AN ADDITIONAL NONCONTROLLING,**  
2       **INDIRECT OWNERSHIP INTEREST IN PSE IS CONSISTENT**  
3       **WITH THE PUBLIC INTEREST**

4       **Q.    Why is the acquisition of an additional indirect interest in PSE by AIMCo**  
5       **consistent with the public interest?**

6       A.    As discussed above, AIMCo has held an equity interest in PSE for nearly a  
7       decade and has increased its ownership interests twice in the past—once in  
8       May 2009 (from 6.3 percent to 7.1 percent) and again in November 2017 (from  
9       7.1 percent to the current 7.59 percent). The relationship between PSE and  
10      AIMCo has already been a successful one, and AIMCo’s 6.01 percent increase in  
11      ownership will ensure continuity and will further strengthen AIMCo’s and PSE’s  
12      relationship. AIMCo considers itself an established, long-term investor in PSE,  
13      which affords the Commission and stakeholders confidence that there will be  
14      stability in the ownership of Puget Holdings. AIMCo’s investment in Puget  
15      Holdings and its indirect ownership of PSE is part of AIMCo’s “core” long-term  
16      infrastructure holdings, with no defined exit period.

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

19      A.    Yes. AIMCo acknowledges and affirms its support for the commitments that have  
20      been made, and approved by the Commission in the following proceedings, to the  
21      extent that those commitments remain effective:

- 22                   (i)    the commitments set forth in in Docket U-072375,  
23                            Attachments A and B to Order 08, *Approving and Adopting*

1 *Settlement Stipulation; Authorizing Transaction Subject to*  
2 *Conditions (the “2008 Acquisition Order”);*

3 (ii) the commitments intended to provide ring-fencing  
4 protections separating the operations and financing of PSE  
5 from the Puget LNG LLC subsidiary set forth in Docket  
6 UG-151663, Order 10, *Final Order Approving and*  
7 *Adopting Settlement Stipulation; Reopening Record and*  
8 *Amending Order 08 in Docket U-072375*, dated  
9 November 1, 2016; and

10 (iii) the commitments relating to the Colstrip generating facility  
11 set forth in the Multiparty Settlement Stipulation and  
12 Agreement, dated September 15, 2017, in Dockets UE-  
13 170033 & UG-170034, and authorized to be implemented  
14 in Order 08, *Final Order Rejecting Tariff Sheets;*  
15 *Approving and Adopting Settlement Stipulation; Resolving*  
16 *Contested Issues; and Authorizing and Requiring*  
17 *Compliance Filing*, dated December 5, 2017.

18 **Q. Will AIMCo promote sustainability and carbon reduction in its role as an**  
19 **indirect owner of PSE?**

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

25 **Q. Has AIMCo entered into any voting agreements with any of the other**  
26 **buyers?**

27 A. Yes. Exhibit F to the Purchase and Sale Agreement includes a Voting Agreement,  
28 pursuant to which PGGM Fund Manager and AIMCo (i.e., the two members of  
29 Puget Holdings with less than a 20 percent interest in Puget Holdings) will vote

1 their shares in Puget Holdings in the same manner in respect of matters that  
2 require unanimous and supermajority consent of the Puget Holdings members.

3 **V. AIMCO RELATIONSHIP WITH THE PROVINCE OF ALBERTA**

4 **Q. Describe AIMCo's relationship with the Province of Alberta.**

5 A. Under the AIMCo Act, which came into effect on January 1, 2008, AIMCo was  
6 formed as a wholly-owned entity by the Province of Alberta. However, pursuant  
7 to the AIMCo Act, AIMCo operates completely independently from both the  
8 Canadian federal government and the provincial Alberta government. AIMCo has  
9 its own employees and operates on a cost-recovery basis. Each of AIMCo's  
10 clients (i.e. a designated entity) enters into an investment management agreement  
11 with AIMCo and provides AIMCo with its Statement of Investment Policy and  
12 Guidelines ("SIP&G"). AIMCo has full and complete discretion to make  
13 investment decisions in respect of designated funds entrusted to it by its clients,  
14 within the parameters of each client's SIP&G. The Government of Alberta  
15 controls AIMCo clients who fall into the endowment fund and government fund  
16 categories and could seek amendments to its SIP&Gs that could change the  
17 investment parameters for such funds, but investment decisions made by AIMCo  
18 within such parameters are free from any influence or direction by the  
19 Government of Alberta. Additionally, the Government of Alberta cannot seek to  
20 amend any SIP&Gs for any AIMCo client that is a pension fund or specialty fund.  
21 Pursuant to the AIMCo Act, the directors of AIMCo are appointed by an order of  
22 the Alberta Lieutenant Governor in Council. However, all are independent of the



1 Government of Alberta and AIMCo management. Each director and officer of  
2 AIMCo has a legislative duty to act in the best interest of AIMCo, having due  
3 regard for the interests of AIMCo's client funds. These legislative requirements  
4 create a board that is qualified, professional, independent and at arm's-length of  
5 government, while maintaining high standards of governance and oversight on a  
6 cost-effective basis.

7 **VI. CONCLUSION**

8 **Q. Does this conclude your prefiled direct testimony.**

9 A. Yes, it does.