

**EXH. LW-1T  
DOCKET U-180680  
WITNESS: LINCOLN WEBB**

**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**

**LINCOLN WEBB**

**ON BEHALF OF THE BRITISH COLUMBIA INVESTMENT  
MANAGEMENT CORPORATION**

**SEPTEMBER 5, 2018**

**BRITISH COLUMBIA INVESTMENT MANAGEMENT CORPORATION**

**PREFILED DIRECT TESTIMONY (NONCONFIDENTIAL) OF  
LINCOLN WEBB**

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**BRITISH COLUMBIA INVESTMENT MANAGEMENT CORPORATION**

**PREFILED DIRECT TESTIMONY (CONFIDENTIAL) OF  
LINCOLN WEBB**

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1 **BRITISH COLUMBIA INVESTMENT MANAGEMENT CORPORATION**

2 **PREFILED DIRECT TESTIMONY (NONCONFIDENTIAL) OF**  
3 **LINCOLN WEBB**

4 **I. INTRODUCTION**

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

7 A. My name is Lincoln Webb. My business address is 750 Pandora Avenue,  
8 Victoria, British Columbia, V8W 0E4, Canada. I am the Senior Vice President,  
9 Infrastructure & Renewable Resources, for the British Columbia Investment  
10 Management Corporation (“BCI”).

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. LW-2.

14 **Q. What are your duties as Senior Vice President, Infrastructure & Renewable**  
15 **Resources, for BCI?**

16 A. As Senior Vice President, Infrastructure & Renewable Resources, my  
17 responsibilities include leading BCI’s private market infrastructure investment  
18 program, which has grown to a global portfolio of C\$14 billion since 2004. My  
19 team includes a group of 27 professionals who are responsible for the sourcing of  
20 investment opportunities, executing on new transactions and monitoring the  
21 progress of existing companies in the portfolio. Also, in my role, I am a member

1 of BCI's Executive Management Team, whereby I am involved in setting the  
2 strategic direction and overall management of the firm.

3 Currently, I serve on the Presidential and Supervisory Boards of Open Grid  
4 Europe—Germany's largest gas transmission utility, and the boards of the Corix  
5 Group of companies (North American utilities), Teays River (international  
6 agriculture and food), TimberWest Forest Company (Canadian timberlands),  
7 Glencore Agriculture (international agriculture and food), Endeavour Energy  
8 (Australasian utility), and Cleco Corporation (a U.S.-based utility).

9 **Q. Have you previously testified before the Commission?**

10 A. Yes. On behalf of BCI, I provided testimony in Docket U-072375 in support of  
11 the acquisition by Puget Holdings LLC ("Puget Holdings") of Puget Energy, Inc.  
12 and its wholly-owned subsidiary Puget Sound Energy, Inc. ("PSE"), which was  
13 approved by the Commission's final order in that docket ("2018 Acquisition  
14 Order").

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

16 A. This prefiled direct testimony provides support for the approximately four percent  
17 increase in BCI's equity interest in Puget Holdings as part of the transactions  
18 proposed by the Joint Applicants. Specifically, this prefiled direct testimony  
19 provides an overview of (i) the proposed transaction; (ii) BCI; and (iii) BCI's  
20 investment strategy. Additionally, this prefiled direct testimony explains that  
21 PSE's strong management, focus on environmental sustainability, and supportive  
22 regulatory environment make it a good continued investment for BCI. Finally,

1 this prefiled direct testimony discusses why the sale of a portion of Macquarie's  
2 indirect interest in PSE to BCI is consistent with the public interest, and also  
3 discusses BCI's relationship with the Province of British Columbia.

4 **II. DESCRIPTION OF THE PROPOSED TRANSACTION AND**  
5 **BCI'S QUALIFICATION AS AN INVESTOR**

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

7 **Q. What is the nature of the transaction for which BCI seeks Commission**  
8 **approval?**

9 A. BCI currently holds a 16.86 percent equity interest in Puget Holdings. The Joint  
10 Applicants, including BCI, seek Commission approval for the collective purchase  
11 of the equity interest in Puget Holdings currently held by funds managed by  
12 Macquarie Infrastructure Partners and a Macquarie entity, Padua MG Holdings  
13 LLC (collectively, "Macquarie"). Macquarie owns a 43.99 percent equity interest  
14 in Puget Holdings and intends to sell all of its ownership interest in Puget  
15 Holdings to four buyers (the "Proposed Transactions"). BCI intends to purchase a  
16 portion of the Macquarie interest equal to a 4.01 percent equity interest in Puget  
17 Holdings. With the closing of the sale, BCI would increase its non-controlling,  
18 indirect interest in PSE to approximately 20.87 percent.

19 Please see the Second Exhibit to the Prefiled Direct Testimony of Lincoln Webb,  
20 Exh. LW-3, for a copy of the transaction documents by which BCI is acquiring an  
21 additional 4.01 percent of Puget Holdings.

1 **Q. Why is BCI seeking Commission approval of the transaction?**

2 A. BCI's understanding is that the Commission must approve any transfer that  
3 constitutes ten percent or more of the equity ownership of Puget Holdings or PSE,  
4 pursuant to the terms of the 2008 Acquisition Order. Although the additional  
5 indirect ownership interest in PSE that BCI is acquiring is less than ten percent of  
6 the equity ownership of Puget Holdings or PSE, collectively, all of the buyers of  
7 the Macquarie interest in PSE are acquiring greater than ten percent of the equity  
8 ownership of Puget Holdings, and are therefore requesting Commission approval  
9 of the Proposed Transactions.

10 **B. Description of BCI**

11 **Q. What is BCI?**

12 A. Based in Victoria, British Columbia, BCI is one of the largest asset managers in  
13 Canada, with C\$145.6 billion in assets under management, investing globally on  
14 behalf of public sector clients, which includes eleven public sector pension plans,  
15 583,000 pension plan beneficiaries, and 2.3 million British Columbian workers, as  
16 of March 31, 2018. BCI has holdings in all major asset classes, including short-  
17 term and fixed income securities, mortgages, Canadian, U.S. and international  
18 equities, as well as private equity, real estate, currency, and infrastructure and  
19 renewable resources. BCI's public and private equity holdings include shares in  
20 more than 3,000 companies around the globe. As noted above, I lead the  
21 infrastructure and renewable resources group, which is responsible for BCI's

1 existing investment in Puget Holdings, as well as the proposed transaction that  
2 will increase our ownership interest in Puget Holdings.

3 **Q. Has BCI been represented on PSE's Board of Directors?**

4 A. Yes. BCI representatives have served on the PSE Board of Directors and on  
5 various PSE board committees since 2009. BCI's representative currently serves  
6 as the chair of the Business Planning Committee.

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

9 A. BCI's clients have a desire to increase their exposure to private market  
10 infrastructure. We estimate they intend to allocate a net C\$1.2 billion annually to  
11 infrastructure and renewable resources over the next five years. The funds for the  
12 additional investment in Puget Holdings would come from this commitment by  
13 the same pool of clients that invested in the original transaction in 2009.

14 **Q. Has BCI invested in energy and utility assets, other than Puget Holdings?**

15 A. Yes. In addition to its near-decade long ownership in Puget Holdings, BCI has  
16 made significant investments in infrastructure and energy industries in both the  
17 United States and abroad, providing substantial experience in the regulated energy  
18 and utility sectors. Infrastructure and energy investments of this kind are made on  
19 a long-term basis and are diversified geographically and across utility sectors.  
20 BCI's current regulated utility investments include Cleco Corporate  
21 Holdings LLC, a utility holding company in Louisiana whose subsidiaries provide



1 retail and wholesale electricity; Corix, a mid-scale platform providing electric and  
2 water utility services in North America; Open Grid Europe, which is the largest of  
3 Germany's twelve regulated gas transmission operators; Transelec, which is the  
4 largest power transmission company in Chile; Endeavour Energy, which provides  
5 2.4 million customers with power transmission and distribution services in New  
6 South Wales, Australia; and Thames Water, which provides sewer and water  
7 services to approximately nine million customers in greater London, United  
8 Kingdom.

9 **III. PSE IS AN ATTRACTIVE CONTINUED INVESTMENT**  
10 **FOR BCI DUE TO ITS STRONG MANAGEMENT,**  
11 **ENVIRONMENTAL FOCUS AND SUPPORTIVE REGULATORY**  
12 **ENVIRONMENT**

13 **Q. Why is BCI interested in increasing its investment in PSE?**

14 A. BCI has been an equity holder of Puget Holdings since 2009 and has developed a  
15 strong understanding and appreciation of PSE's business and management  
16 philosophy. The regulated nature of PSE's business coupled with the positive  
17 characteristics of the region and strength of the management team are attractive to  
18 BCI's investment program. Furthermore, BCI especially values PSE's focus on  
19 sourcing and generating clean energy.

20 **Q. Describe BCI's commitment to renewables, clean energy, carbon reduction,**  
21 **and environmental stewardship.**

22 A. As a signatory to the United Nations Principles for Responsible Investment, BCI  
23 has voluntarily committed to consider the impact that non-financial considerations

1 may have on long-term investment performance. BCI has agreed to include  
2 environmental, social, and governance (“ESG”) issues in making its investment  
3 decisions, to collaborate on implementation of principles, to become active equity  
4 owners, to request good ESG disclosure by companies, and to report on BCI’s  
5 ESG accomplishments.

6 Accordingly, since it became an equity owner of Puget Holdings in 2009, BCI has  
7 been fully supportive of PSE’s renewable energy and carbon reduction initiatives,  
8 such as the expansion of the Wild Horse Wind Project, the construction of the  
9 Lower Snake River Wind Project, the modernization of the Baker River and  
10 Snoqualmie River hydroelectric facilities, and the decommissioning of Colstrip  
11 Units 1 and 2. BCI will continue to support these initiatives, including PSE’s goal  
12 to reduce its carbon footprint by 50 percent by 2040.

13 **Q. Do you foresee any changes to the governance or management of Puget**  
14 **Holdings or PSE as a result of your investment?**

15 A. No. Following the closing of the transaction, BCI expects Puget Holdings and  
16 PSE to continue operating in much the same way as they have operated over the  
17 past several years. BCI does not expect that its acquisition of a relatively minor  
18 incremental equity interest in Puget Holdings will result in any material change to  
19 the governance or management of Puget Holdings or PSE.

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**IV. BCI'S ACQUISITION OF AN ADDITIONAL,  
NONCONTROLLING, INDIRECT OWNERSHIP INTEREST IN  
PSE IS CONSISTENT WITH THE PUBLIC INTEREST**

**Q. How is the acquisition of an additional indirect interest in PSE by BCI consistent with the public interest?**

A. As discussed above, BCI has held an equity interest in Puget Holdings since 2009. The relationship between PSE and BCI has already been a successful one and BCI's 4.01 percent increase in ownership, while relatively minor, will only strengthen BCI and PSE's relationship. BCI considers itself an established, long-term investor in PSE, which affords the Commission and stakeholders confidence that there will be stability in the ownership of PSE.

**Q. Has BCI made regulatory commitments that are consistent with the public interest?**

A. Yes. BCI has acknowledged and affirmed the commitments that have been made, and approved by the Commission in the following proceedings, to the extent that those commitments remain effective:

(i) the commitments set forth in in Docket U-072375, Attachments A and B to Order 08, *Approving and Adopting Settlement Stipulation; Authorizing Transaction Subject to Conditions* (the "2008 Acquisition Order");

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

1 (iii) the commitments relating to the Colstrip generating facility  
2 set forth in the Multiparty Settlement Stipulation and  
3 Agreement, dated September 15, 2017, in Dockets UE-  
4 170033 & UG-170034, and authorized to be implemented  
5 in Order 08, *Final Order Rejecting Tariff Sheets;*  
6 *Approving and Adopting Settlement Stipulation; Resolving*  
7 *Contested Issues; and Authorizing and Requiring*  
8 *Compliance Filing*, dated December 5, 2017.

9 **Q. Will BCI promote sustainability and carbon reduction in its role as an**  
10 **indirect owner of PSE?**

11 A. Yes. BCI supports PSE's goal of reducing its carbon footprint by 50 percent by  
12 2040. In addition, as previously noted, BCI has acknowledged, affirmed, and  
13 accepted the existing commitments relating to the Colstrip generating facility set  
14 forth in the Multiparty Settlement Stipulation and Agreement, dated September  
15 15, 2017, in Dockets UE-170033 & UG-170034.

16 **Q. Are there benefits that will result from the proposed transaction?**

17 A. Yes, I believe there are benefits that customers will experience as a result of the  
18 transaction. As a current owner of PSE, BCI is well informed about PSE and its  
19 customers. By increasing its stake in the business, BCI is reaffirming its long-term  
20 commitment to supporting the management team in providing reliable, affordable,  
21 best in class service to PSE's customers.

1                   **V.     BCI'S RELATIONSHIP WITH THE PROVINCE OF**  
2   **BRITISH COLUMBIA**

3     **Q.     Please describe BCI's relationship with the Province of British Columbia.**

4     A.     BCI is a corporation that was established and incorporated as a trust company in  
5             1999 pursuant to the Public Sector Pension Plans Act (the "PSPPA") to provide  
6             investment services to British Columbia's public sector. It operates at arm's  
7             length from the Government of the Province of British Columbia. Pursuant to the  
8             PSPPA, the equity capital of BCI consists of one share with a par value of C\$10.  
9             That share is issued to and registered in the name of the Minister of Finance on  
10            behalf of the Government of the Province of British Columbia. However, BCI is  
11            governed by a seven-member board, four members of which are appointed by  
12            specific BCI clients, two of which are representative of other BCI clients and  
13            appointed by the British Columbia Minister of Finance, and a chair-person  
14            appointed by the British Columbia Minister of Finance. Pursuant to the PSPPA,  
15            the board of BCI is required to select and appoint BCI's Chief Investment Officer  
16            and review and monitor the performance thereof. As such, the PSPPA does not  
17            grant the Government of the Province of British Columbia direct authority in this  
18            regard. Accordingly, the activities of BCI are independent, and are not controlled  
19            by the Government of the Province of British Columbia.

20   **VI.    CONCLUSION**

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

22     A.     Yes, it does.