

**EXH. AR-1T
DOCKET U-210542
WITNESS: AARON RUBIN**

**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

AARON RUBIN

**ON BEHALF OF MACQUARIE WASHINGTON
CLEAN ENERGY INVESTMENT, L.P.**

AUGUST 13, 2021

MACQUARIE WASHINGTON CLEAN ENERGY INVESTMENT, L.P.

**PREFILED DIRECT TESTIMONY (NONCONFIDENTIAL) OF
AARON RUBIN**

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MACQUARIE WASHINGTON CLEAN ENERGY INVESTMENT, L.P.

**PREFILED DIRECT TESTIMONY (NONCONFIDENTIAL) OF
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LIST OF EXHIBITS

- | | |
|-----------|---|
| Exh. AR-2 | Professional Qualifications of Aaron Rubin |
| Exh. AR-3 | Purchase and Sale Agreement between CPP Investment Board (USRE II) INC., and Macquarie Washington Clean Energy Investment, L.P., dated as of July 6, 2021 |
| Exh. AR-4 | Organizational Charts for Macquarie Washington Clean Energy Investment, L.P. |
| Exh. AR-5 | Form of Vote Sharing Agreement |

MACQUARIE WASHINGTON CLEAN ENERGY INVESTMENT, L.P.

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I. INTRODUCTION

Q. Please state your name, business address, and position with Macquarie Washington Clean Energy Investment, L.P.

A. My name is Aaron Rubin. My business address is Level 22, 125 West 55th Street, New York, New York, 10019. I am a Senior Managing Director of Macquarie Infrastructure and Real Assets (“MIRA”), within the Macquarie Group of Companies (“Macquarie Group”)¹ where I am responsible for MIRA’s investments in North American power generation and regulated utility companies. Since joining MIRA in 2008, I have been responsible for leading investments in private companies on behalf of MIRA’s managed investment funds, and for management of those investments. In addition, I am a Manager and Vice President of Macquarie Energy Partners GP LLC, the general partner of Macquarie Washington Clean Energy Investment, L.P. (the “Macquarie Fund”).

¹ For purposes of this testimony, I use the term “Macquarie Group” to refer to Macquarie Group Limited with its subsidiaries, affiliates, and the vehicles they manage. The Macquarie Group has two separate subgroups—a banking group (including Macquarie Bank Limited) and a non-banking group, which undertakes principal investment activity and provides a full range of investment services including financial advisory and funds management.

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

A. Yes, I have. It is Exh. AR-2.

Q. Please explain your experience with companies like Puget Sound Energy?

A. I have 20 years of experience as an investor in and, prior to that, an advisor to infrastructure companies, including numerous power generation and regulated utility companies.

In my current role, I have served as a director of various MIRA portfolio companies. The majority of these companies have operated in the regulated utility and/or clean energy generation industries. I currently serve on the Board of Managers for Cleco (a regulated electric utility in Louisiana) and also as a director or manager of independent generation and renewable energy development companies including Cyrq Energy (a renewable and geothermal power company headquartered in Utah), and Lordstown Energy Center (a highly efficient independent power producer in Ohio).

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

A. My prefiled direct testimony explains why the Macquarie Group seeks to reinvest in Puget Sound Energy (“PSE”) through the Macquarie Fund’s acquisition of approximately 15.79 percent of the equity interest in Puget Holdings.

As I explain below, PSE is a well-run utility, and the Macquarie Group has established the Macquarie Fund in order to work collaboratively with the members of Puget Holdings to further PSE's commitment to provide customer satisfaction, reliability, safety, and reasonable rates in a manner that meets important environmental and sustainability goals. In this testimony, I provide an overview of (i) the proposed transaction, (ii) the Macquarie Fund and its limited partner investors, (iii) the Macquarie Fund's investment strategy, and (iv) the relationship between the Macquarie Fund and Ontario Teachers' Pension Plan Board ("Ontario Teachers").

Second, I explain that PSE's strong management, focus on environmental sustainability, and supportive regulatory environment make it an attractive investment for Macquarie Fund.

Third, I discuss why the Macquarie Group's investment through the Macquarie Fund's acquisition of an approximately 15.79 percent equity interest in Puget Holdings, and indirect interest in PSE, is consistent with the public interest.

**II. DESCRIPTION OF THE PROPOSED TRANSACTION AND THE
MACQUARIE FUND'S QUALIFICATION AS AN INVESTOR**

A. Description of the Proposed Transaction

**Q. What is the nature of the transaction for which the Macquarie Fund seeks
Commission approval?**

A. The Macquarie Group previously controlled and managed an investment in Puget Holdings, with such interests transferred to current owners of Puget Holdings in 2019. The Macquarie Group, requests the Commission's approval to return to such role. In contrast to the prior investment, the Macquarie Fund is an evergreen fund (e.g., non-time limited investment vehicle). The Macquarie Fund allows the designated limited partners to hold passive equity interests in the Puget Holdings with the Macquarie Group controlling the Macquarie Fund as the general partner.

The Macquarie Fund is one of two investors that intends to purchase one-half of the 31.57 percent of the equity interest in Puget Holdings currently held by Canada Pension Plan Investment Board ("CPP Investments") and seeks Commission approval to consummate the transaction. CPP Investments currently owns a non-controlling 31.57 percent equity interest in Puget Holdings and intends to sell all of its ownership interest in Puget Holdings.

Please see the Second Exhibit to the Prefiled Direct Testimony of Aaron Rubin, Exh. AR-3, for a copy of the Purchase and Sale Agreement between CPP Investment Board (USRE II) INC., and the Macquarie Fund dated as of July 6,

2021, which provides the terms and conditions by which Macquarie Fund is acquiring approximately 15.79 percent of the equity interest in Puget Holdings.

Q. Why is the Macquarie Fund seeking Commission approval of the proposed transaction?

A. The Macquarie Fund's understanding is that the Commission must approve any sale that constitutes ten percent or more of the equity ownership of Puget Holdings or PSE pursuant to the terms of the Commission's decision in Docket U-180680² regarding PSE's last change in equity ownership. Since the Macquarie Fund is seeking to acquire more than 10 percent of the equity ownership of Puget Holdings, the Macquarie Fund is seeking the Commission's approval to consummate the proposed transaction.

B. Description of the Macquarie Fund

Q. What is the Macquarie Fund?

A. The Macquarie Fund will be organized as a limited partnership, a common corporate structure used by investment management firms such as those in the MIRA division of Macquarie Group.

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. for an Order Authorizing Proposed Sales of Indirect Interests in Puget Sound Energy*. Final Order 06 Approving Multiparty Settlement; Authorizing Proposed Transactions, Docket U-180680 (Mar. 7, 2019) (the "2019 Acquisition Order").

Q. Please describe the partners in the Macquarie Fund.

A. The Macquarie Fund has equity commitments from each of Sunsuper Superannuation Fund (“Sunsuper”), the National Pension Service of Korea (“NPS”), and the Macquarie Group that, after closing, will be organized through each investor’s respective limited partner. Upon consummation of the transaction, the Macquarie Group will control and manage the Macquarie Fund. This is depicted in the Third Exhibit to the Prefiled Direct Testimony of Aaron Rubin, Exh. AR-4.

As the general partner, Macquarie Energy Partners GP LLC will have ultimate authority over the Macquarie Fund. Please see the organizational charts reflecting the pre- and post-closing structure of the Macquarie Fund provided as the Third Exhibit to the Prefiled Direct Testimony of Aaron Rubin, Exh. AR-4.

The Macquarie Fund will have three limited partners, each with passive equity interests. Two of Macquarie’s clients—Sunsuper and NPS—have made equity commitments to the Macquarie Fund and will be established as limited partners in the Macquarie Fund upon consummation of the transaction. The Macquarie Group has also made an equity commitment to the Macquarie Fund that will be fulfilled through MGIF Clean Energy, L.P. Each limited partner will have passive equity rights equivalent to an approximate 5-6 percent share of Puget Holdings. Please see the organizational chart for the Macquarie Fund provided as the Third Exhibit to the Prefiled Direct Testimony of Aaron Rubin, Exh. AR-4.

As typical of limited partnership arrangements, the Macquarie Fund will also have a general partner who oversees running the business and who controls the Macquarie Fund. None of the limited partners (i.e., Sunsuper, NPS, and MGIF Clean Energy, L.P.) will participate in controlling or managing the Macquarie Fund. The Macquarie Fund will be managed and controlled by the Macquarie Group.

Q. Please describe the general partner, Macquarie Energy Partners GP LLC.

A. Macquarie Energy Partners GP LLC is the general partner of the Macquarie Fund. The general partner is responsible for the administration, management, and operation of the Macquarie Fund. The Macquarie Group has the exclusive right to control and manage the Macquarie Fund through the general partner, Macquarie Energy Partners GP LLC.

Q. Please describe the limited partner, Sunsuper.

A. Sunsuper is an Australian public offer industry superannuation fund³ based in Brisbane, Queensland, Australia, with 1.4 million members and \$A85 billion in funds under management. On 15 March 2021, Sunsuper and QSuper announced they had signed a Heads of Agreement to merge the two Australian superannuation funds and create a single \$200 billion superannuation fund with two million members. The proposed merger of Sunsuper and QSuper remains

³ The U.S. equivalent to a superannuation plan would be an employee defined-benefit or defined-contribution plan.

subject to applicable regulatory, legislative, and final board approval but is planned to proceed in November 2021. Sunsuper's equity commitment to the Macquarie Fund is not contingent on the consummation of the Sunsuper and QSuper merger. Upon consummation of the transaction, Sunsuper will hold passive equity rights in the Macquarie Fund. Please see the organizational chart for the Macquarie Fund provided as the Third Exhibit to the Prefiled Direct Testimony of Aaron Rubin, Exh. AR-4.

Q. Please describe the limited partner, NPS.

A. NPS is the largest public pension fund in South Korea with \$600 billion in assets managed by the National Pension Service Investment Management. Upon consummation of the Proposed Transaction, NPS will hold passive equity rights in the Macquarie Fund. Please see the organizational chart for the Macquarie Fund provided as the Third Exhibit to the Prefiled Direct Testimony of Aaron Rubin, Exh. AR-4.

Q. Please describe the limited partner, MGIF Clean Energy, L.P.

A. MGIF Clean Energy, L.P. is the entity designated to fulfill the Macquarie Group's equity commitment in the Macquarie Fund. The limited partner, MGIF Clean Energy, L.P., is managed and controlled by the Macquarie Group on behalf of equity invested by Macquarie's clients. Like Sunsuper and NPS, MGIF Clean Energy, L.P. will hold only passive equity rights in the Macquarie Fund. Please

see the organizational chart for the Macquarie Fund provided as the Third Exhibit to the Prefiled Direct Testimony of Aaron Rubin, Exh. AR-4.

C. The Macquarie Fund's History and Strategy

Q. Please explain the Macquarie Fund's history and strategy.

A. The Macquarie Fund will be a newly-established fund that will have no assets other than those at issue in this proceeding. The Macquarie Fund will contribute to the growth and success of Puget Holdings, and in turn, PSE, by making an indirect upstream investment in the utility.

NPS was attracted to the Macquarie Fund as an opportunity to further its investment principles, including profitability, stability, public benefit, liquidity, sustainability and independence.⁴

Likewise, Sunsuper is attracted to the Macquarie Fund because it is consistent with Sunsuper's approach to responsible investing and provides a long-term opportunity to support a resilient utility with substantial infrastructure and real assets.

The Macquarie Group has arranged this consortium and made its own equity commitment to the Macquarie Fund because, among other reasons, PSE is a well-

⁴ NPS has announced that it will cease investments related to the construction of coal-fired power plants. *See, e.g.,* Douglas Appell, *S. Korea's NPS to Stop New Coal Plant Investments*, Pensions & Investments (2021), available at <http://www.pionline.com/pension-funds/s-koreas-nps-stop-new-coal-plant-investments>. The NPS investment in the Macquarie Fund is consistent with NPS's announcement.

run utility, Washington offers a stable regulatory environment, and PSE's long-term plans are consistent with the Macquarie Group's sustainability criteria.

Q. How will the Macquarie Fund finance its acquisition in Puget Holdings?

A. As explained above, the Macquarie Fund will fund its acquisition with NPS providing 30.00 percent of the equity, Sunsuper providing 33.33 percent of the equity, and MGIF Clean Energy, L.P. providing the remaining 36.67 percent of the equity. This funding will occur through the partnership structure set forth in the Third Exhibit to the Prefiled Direct Testimony of Aaron Rubin, Exh. AR-4.

III. PSE IS AN ATTRACTIVE INVESTMENT DUE TO ITS STRONG MANAGEMENT, ENVIRONMENTAL FOCUS AND SUPPORTIVE REGULATORY ENVIRONMENT

Q. Why is the Macquarie Fund interested in acquiring an indirect ownership interest in PSE?

A. PSE is a well-managed company with a proven track record, which is an important factor for the Macquarie Fund when considering investment opportunities. The Macquarie Fund is supportive of PSE's commitment to customer satisfaction, reliability, safety, and reasonable rates. The Macquarie Fund considers PSE a core infrastructure asset and a long-term holding that is ideally suited for its client base and their long-term requirements. The Macquarie Fund seeks to further the goals of PSE consistent with the long-term plans approved by the Commission.

Q. Please describe the Macquarie Fund's commitment to renewables, clean energy, carbon reduction, and environmental stewardship.

A. The Macquarie Group facilitates and pursues investments, markets, and products with an ESG focus and through our business relationships we play a role in developing and promoting sustainable products and businesses across the globe.

The Macquarie Fund is committed to supporting PSE's long-term development objectives and strong environmental focus, which is evidenced by its

(i) aspirational goal to be a Beyond Net Zero Carbon company by 2045, (ii) significant investment in renewable energy, (iii) steps to transition the State of Washington away from coal, and (iv) decades-long leadership in energy efficiency. PSE's focus on environmental sustainability is consistent with the Macquarie Fund's investment philosophy, and the Macquarie Fund will continue to support PSE in these and other key efforts.

Q. Will the Macquarie Fund promote sustainability and carbon reduction in its role as an indirect owner of PSE?

A. Yes. The Macquarie Fund supports PSE's aspirational goal to be a Beyond Net Zero Carbon company by 2045, including PSE's goals to:

- reduce emissions from PSE electric and gas operations and electric supply to net zero by 2030 and that, by 2045, PSE will have a 100 percent carbon-free electric supply;

- reach net zero carbon emissions for natural gas used in customer homes and businesses by 2045, with an interim target of a 30 percent emissions reduction by 2030;
- go beyond reducing reported emissions by partnering with customers and industry to reduce carbon across sectors and across the state.⁵

Q. Do you foresee any changes to the governance or management of Puget Holdings or PSE as a result of the proposed transaction?

A. No. Following the closing of the proposed transaction, the Macquarie Fund expects both Puget Holdings and PSE to continue operating in the same way they have operated over the past several years. With respect to the governance of Puget Holdings, the existing limited liability company agreement that has governed Puget Holdings board activities for the past decade will continue to govern the board after the sale of CPP Investments' interest. After acquiring an approximately 15.79 percent membership interest in Puget Holdings, the Macquarie Fund will be a minority owner of Puget Holdings, and neither the Macquarie Fund nor any of the other investors in PSE will hold a controlling interest in Puget Holdings or PSE.

This is consistent with the current ownership structure of Puget Holdings. Indeed, one of the reasons the Macquarie Fund seeks to obtain an indirect ownership interest in PSE is because PSE is a reputable, well-run utility with stable regulatory oversight and a strong management team. The Macquarie Fund expects

⁵ 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>.

PSE to operate in the same manner as it has been operating over the past decades. The Macquarie Fund does not anticipate material changes to PSE's operations after the transaction, and firmly supports the continuity of PSE's management.

**IV. THE MACQUARIE FUND'S ACQUISITION OF
A NONCONTROLLING, INDIRECT OWNERSHIP INTEREST
IN PSE IS CONSISTENT WITH THE PUBLIC INTEREST**

Q. Why is the acquisition of an indirect interest in PSE by the Macquarie Fund consistent with the public interest?

A. PSE will play a key role in decarbonizing Washington State's power generation and assisting local industries and consumers to lower their carbon footprints and the Macquarie Fund's investment in PSE comes amid a requirement for electric utilities in Washington to eliminate coal-fired power by 2025 and supply 100 percent carbon free electricity by 2045. The Macquarie Group has built market-leading capabilities in investing directly into climate mitigation and adaptation infrastructure and in supporting our clients and portfolio companies to decarbonize their activities. For example, Macquarie Asset Management has previously announced a plan to manage its portfolio in line with global net zero emissions by 2040.

Q. Has the Macquarie Fund made regulatory commitments that are consistent with the public interest?

A. Yes. The Macquarie Fund acknowledges and affirms its support for the commitments as updated and restated in the Second Exhibit to the Prefiled Direct Testimony of Adrian J. Rodriguez, Exh. AJR-3.

Q. Will the Macquarie Fund promote sustainability and carbon reduction in its role as an indirect owner of PSE?

A. Yes. As described above, the Macquarie Fund supports PSE's aspirational goal of becoming a Beyond Net Zero Carbon company by 2045.

Q. Has the Macquarie Fund entered into any conduct agreements with the other buyer?

A. Yes. Each of the Macquarie Fund and Ontario Teachers has entered into an agreement to purchase half of CPP Investments' 31.57 percent share of Puget Holdings, with CPP Investments' transferring to each of the Macquarie Fund and Ontario Teachers approximately 15.79 percent of the outstanding shares of Puget Holdings upon Closing. Each party has agreed to fully fund the proposed transactions upon Closing as set forth in their respective purchase and sale agreements.

The Macquarie Fund and Ontario Teachers have likewise agreed to use commercially reasonable efforts to cooperate in the submission of applicable

regulatory filings and to satisfy the conditions to closing set forth in their respective purchase and sale agreements.

The Macquarie Fund and Ontario Teachers have also committed to negotiate in good faith to enter into a voting agreement that will be substantially similar to the existing Voting Agreement between PGGM Vermogensbeheer B.V.⁶ and Alberta Investment Management Corporation.⁷ Please see the Fourth Exhibit to the Prefiled Direct Testimony of Aaron Rubin, Exh. AR-5, for a copy of a draft form Voting Agreement between the Macquarie Fund and Ontario Teachers.

V. CONCLUSION

Q. Does this conclude your prefiled direct testimony?

A. Yes, it does.

⁶ The PGGM Vermogensbeheer B.V. entity that entered into the Voting Agreement is Mount Rainier Utility Holdings LLC.

⁷ The Alberta Investment Management Corporation entities that entered into the Voting Agreement are PIP2PX (PAD) Ltd., PIP2GV (PAD) Ltd., PIP6PX (PAD) Ltd., and PIP6GV (PAD) Ltd.