

**EXH. CP-1T
DOCKET U-210542
WITNESS: CHRISTOPHER PARKER**

**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

CHRISTOPHER PARKER

**ON BEHALF OF THE ONTARIO TEACHERS'
PENSION PLAN BOARD**

AUGUST 13, 2021

ON BEHALF OF THE ONTARIO TEACHERS' PENSION PLAN BOARD

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THE ONTARIO TEACHERS' PENSION PLAN BOARD

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LIST OF EXHIBITS

Exh. CP-2	Professional Qualifications
Exh. CP-3	Purchase and Sale Agreement between CPP Investment Board (USRE II) Inc., and 2848926 Ontario Limited, dated as of July 6, 2021
Exh CP-4	Teachers' Pension Act (Ontario), together with the Pension Benefits Act (Ontario)

1 My responsibilities are predominantly focused on energy and utilities
2 investments, and I have led numerous transactions with respect to energy and
3 regulated utility investments. I have previously served as a board member with
4 asset management responsibilities for companies in the electric generation
5 industry in the U.S. as well as for companies managing large infrastructure assets,
6 including the Sydney Desalination Plant and OTPP New Zealand Forest
7 Investments. I currently sit on the board of Chicago Skyway Toll Road, which is a
8 12.5 km toll road providing a critical link between downtown Chicago and
9 communities in eastern Illinois and northwest Indiana.

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

11 A. My prefiled direct testimony provides support for Ontario Teachers' acquisition
12 of approximately 15.785 percent of the equity interest in Puget Holdings LLC
13 ("Puget Holdings"), and indirect interest in Puget Sound Energy ("PSE"). First, I
14 provide an overview of (i) the proposed transaction, (ii) Ontario Teachers and the
15 Ontario Teachers' Pension Plan, and (iii) the investment strategy of Ontario
16 Teachers. Second, I explain that PSE's strong management, broad focus on
17 environmental sustainability, and the state's supportive regulatory environment
18 establishes PSE as an attractive investment for Ontario Teachers. Third, I discuss
19 why the Ontario Teachers' indirect purchase of an approximately 15.785 percent
20 equity interest in Puget Holdings, and indirect interest in PSE, is consistent with
21 the public interest.

1 **II. DESCRIPTION OF THE PROPOSED TRANSACTION AND**
2 **ONTARIO TEACHERS' QUALIFICATION AS AN INVESTOR**

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

4 **Q. What is the nature of the transaction for which Ontario Teachers seeks**
5 **Commission approval?**

6 A. Ontario Teachers is one of two investors that intends to purchase the equity
7 interest in Puget Holdings currently held by the Canada Pension Plan Investment
8 Board ("CPP Investments"). CPP Investments currently owns a non-controlling
9 31.57 percent equity interest in Puget Holdings and intends to sell all of its
10 ownership interest in Puget Holdings. Ontario Teachers intends to indirectly
11 purchase approximately 15.785 percent of the equity interest in Puget Holdings.
12 Consistent with the structure of infrastructure investments made by Ontario
13 Teachers, Ontario Teachers will indirectly own its interest in Puget Holdings
14 through an Ontario corporation, 2848926 Ontario Limited. Please see the Second
15 Exhibit to the Prefiled Direct Testimony of Christopher Parker, Exh. CP-3, for a
16 copy of the Purchase and Sale Agreement between CPP Investment Board
17 (USRE II) Inc., and 2848926 Ontario Limited, dated as of July 6, 2021, pursuant
18 to which Ontario Teachers is indirectly acquiring approximately 15.785 percent of
19 the equity interest in Puget Holdings.

1 **Q. Why is Ontario Teachers seeking Commission approval of the proposed**
2 **transaction?**

3 A. It is the understanding of Ontario Teachers that the Commission must approve
4 any sale that constitutes ten percent or more of the equity ownership of Puget
5 Holdings or PSE pursuant to the terms of the Commission's decision in 2019
6 regarding PSE's last change in equity ownership. Since Ontario Teachers is
7 seeking to acquire more than 10 percent of the equity ownership of Puget
8 Holdings, Ontario Teachers is seeking the Commission's approval to consummate
9 the proposed transaction.

10 **B. Description of Ontario Teachers**

11 **Q. What is Ontario Teachers?**

12 A. Ontario Teachers administers the pension benefits of the 183,000 active and
13 148,000 retired teachers in the Province of Ontario, Canada. Ontario Teachers is a
14 long-term investor that focuses on long-term value creation.

15 Founded in 1917, the Ontario Teachers' Pension Plan was initially administered
16 by an arm of the Ontario government, but in 1990, the Teachers' Pension Act
17 (Ontario) separated Ontario Teachers from the Ontario government and
18 established the organization as an independent, non-share capital corporation. The
19 Teachers' Pension Act (Ontario), together with the Pension Benefits Act

1 (Ontario), ensures the pension plan is administered by a strong and independent
2 board.

3 Since 1990, the Ontario Teachers' Pension Plan has transformed itself from
4 largely being a holder of government bonds into one of the world's largest
5 institutional investors and is now Canada's largest single professional pension
6 plan with \$221.2 billion CAD in net assets as of December 31, 2020. The
7 independent board administers the Ontario Teachers' Pension Plan, headquartered
8 in Toronto, Ontario, Canada.

9 **C. Ontario Teachers' History and Strategy**

10 **Q. Please describe Ontario Teachers' existing investments in energy and**
11 **infrastructure.**

12 A. Ontario Teachers' infrastructure portfolio consists of nearly C\$17.8 billion as of
13 December 31, 2020, and is diversified by geography, development stage, and
14 industry with assets broadly segmented into: (i) volume-driven businesses with
15 returns linked to throughput and macroeconomic conditions; (ii) regulated
16 companies with revenues directly related to regulatory regimes; and
17 (iii) contracted assets with a significant portion of revenues tied to long-term
18 contracts. Ontario Teachers' infrastructure portfolio is also diversified across the
19 water and waste-water, gas distribution, renewable and conventional energy, and
20 transport/logistics industry sectors across the globe, including investments in

1 airports, toll roads, container terminals, a desalination facility, electric and natural
2 gas distribution systems, and renewable power generation assets among others.

3 In North America, Ontario Teachers' infrastructure portfolio includes the Chicago
4 Skyway, Global Container Terminals, Pacifico Sur, Arco Norte, Agua Blanca,
5 and Enwave. Chicago Skyway is a 12.5 km toll road providing a critical link
6 between downtown Chicago and communities in eastern Illinois and northwest
7 Indiana, for which Ontario Teachers intends to hold for the remaining 88 years of
8 the lease. Global Container Terminals is an operator of four container terminals
9 strategically located in the ports of Vancouver, New York, and New Jersey.

10 Pacifico Sur is a 309 km toll road connecting Mexico's central valley with the
11 country's northwest region, acting as a critical link between the cities of
12 Guadalajara and Tepic for both commercial transport vehicles and tourism-driven
13 light traffic. Arco Norte is a 223 km toll road surrounding Mexico City in the
14 northwest, north and northeast regions, connecting the states of Mexico, Puebla,
15 Hidalgo, and Queretaro. Agua Blanca is a natural gas residue pipeline servicing
16 the Delaware Basin. The system consists of ~90 miles of 36" diameter pipeline
17 and 70 miles of smaller diameter pipeline. Enwave is a fully integrated district
18 energy business that provides heating and cooling to municipalities, communities
19 and campuses across Canada.

20 Ontario Teachers' U.S. energy and utility investments include investments in
21 Anbaric Development Partners ("Anbaric"), a leading merchant transmission
22 developer, and Cubico Sustainable Investments ("Cubico"), a global owner and

1 provider of renewable energy. Anbaric is an American electric power
2 transmission and storage development company located in Wakefield,
3 Massachusetts that specializes in the development of large-scale electric
4 transmission and storage systems. The investment in Anbaric's development
5 pipeline is intended to allow Ontario Teachers to deliver attractive returns for
6 members while participating in projects that support the transition to a low carbon
7 economy.

8 Ontario Teachers holds 50 percent of the equity interest in Cubico, a leading
9 investor in, and long-term owner and operator of, global renewable energy
10 projects. Founded in 2015 and operating across 13 countries, Cubico has an
11 operational capacity of over 2.8 gigawatts, with more than 1.4 gigawatts under
12 development, across 121 wind and solar assets. Cubico began operations in the
13 United States in January 2019 and currently owns nearly 700 MW of renewable
14 energy projects in the southeastern United States, including Texas.

15 **Q. How will Ontario Teachers finance its indirect acquisition in Puget**
16 **Holdings?**

17 A. Ontario Teachers will fund its acquisition with 100 percent equity from Ontario
18 Teachers. This funding will occur through an Ontario corporation, 2848926
19 Ontario Limited.

1 **Q. Is Ontario Teachers invested in other energy or utility assets?**

2 A. Yes. As described above, within the U.S., Ontario Teachers has made investments
3 in both Anbaric and Cubico. Neither Anbaric nor Cubico own or operate assets in
4 the Western Interconnect and each is focused on bringing the highest value to
5 customers, investors, and electric power consumers by developing assets that
6 bring affordable, competitively priced electricity to the markets in the Eastern
7 Interconnect and within the State of Texas. Additionally, Ontario Teachers has
8 made a number of investments outside North America in energy/utility assets.
9 Ontario Teachers' investments in the above companies, like the investment in
10 PSE, are aligned with Ontario Teachers' goal of achieving strong long-term
11 returns by directly investing in companies with strong management and an
12 environmental focus.

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

16 **Q. Why is Ontario Teachers interested in acquiring an indirect ownership**
17 **interest in PSE?**

18 A. PSE is a well-managed company with a proven track record, which is an
19 important factor for Ontario Teachers when considering investment opportunities.
20 Ontario Teachers is supportive of PSE's commitment to customer satisfaction,
21 reliability, safety, and reasonable rates. Ontario Teachers considers PSE a core
22 infrastructure asset and a long-term holding that is ideally suited for its client base

1 and their long-term pension and endowment requirements. Following completion
2 of the transaction, the investment in PSE is projected to provide consistent
3 performance and growth opportunities to Ontario Teachers and, accordingly, is
4 consistent with Ontario Teachers' investment criteria.

5 **Q. Please describe Ontario Teachers' commitment to renewables, clean energy,**
6 **carbon reduction, and environmental stewardship.**

7 A. Ontario Teachers' approach to responsible investing is rooted in sustainability and
8 is embedded in the way we do business. To achieve stable returns to meet our
9 pension promise, our long-term strategy includes taking a systematic approach to
10 identifying, assessing and managing environmental, social and governance (ESG)
11 risks and opportunities. For that, Ontario Teachers uses four responsible investing
12 principles: (1) integrating ESG considerations into our investment process to
13 manage risk and add value, (2) engaging with companies we invest in to promote
14 and nurture success; (3) using of our influence as a global investor to create a
15 supportive and sustainable business; and (4) evolving to build our institutional
16 knowledge and to keep ahead of the curve. Additionally, in January 2021, Ontario
17 Teachers announced its commitment to achieve net-zero greenhouse gas
18 emissions by 2050.

19 Ontario Teachers' investment in PSE is driven by the commitment to responsible
20 investments. PSE's long-term development objectives and environmental focus
21 align with the interests of Ontario Teachers. PSE has a strong environmental

1 focus as evidenced by its (i) aspirational goal to be net zero carbon on all PSE
2 operations and electric supply by 2030 with 80 percent carbon free electricity
3 supply and a Beyond Net Zero Carbon company with 100 percent carbon free
4 electric supply by 2045, (ii) significant investment in renewable energy, (iii) steps
5 to transition the State of Washington away from coal, and (iv) decades-long
6 leadership in energy efficiency. This focus on environmental sustainability is
7 consistent with Ontario Teachers' investment philosophy, and Ontario Teachers
8 will continue to support PSE in these and other key efforts. Specifically, Ontario
9 Teachers supports PSE's partnership with customers, community members,
10 regulators and advisory groups to develop the CEIP roadmap and establish the
11 framework for an equitable clean energy transition consistent with the CETA.
12 PSE's engagement and support to accomplish the shared goals of the CETA make
13 PSE an attractive investment consistent with the responsible investing guidelines
14 of Ontario Teachers.

15 **Q. Will Ontario Teachers promote sustainability and carbon reduction in its**
16 **role as an indirect owner of PSE?**

17 A. Yes. Ontario Teachers supports PSE's aspirational goal to be a Beyond Net Zero
18 Carbon company by 2045, including PSE's goals to:

- 19 • reduce emissions from PSE electric and gas operations and
20 electric supply to net zero by 2030 and that by 2045, PSE
21 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; and
- go beyond reducing reported emissions by partnering with customers and industry to reduce carbon across sectors and across the state.¹

In January 2021, Ontario Teachers announced its commitment to achieve net-zero greenhouse gas emissions investment portfolio by 2050 aligning well with PSE’s decarbonization goals. Achieving this commitment will entail increasing investments in climate-friendly companies and solutions; ensuring portfolio companies manage and report their emissions annually; and advocating for clear climate policies and partnering with global organizations to effect change.

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. Ontario Teachers is not acquiring a controlling stake in PSE. Following the closing of the proposed transaction, Ontario Teachers 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 a share of Puget Holdings, Ontario Teachers will be a minority, indirect owner of Puget Holdings, and neither

¹ 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 Ontario Teachers nor any of the other indirect investors in PSE will hold a
2 controlling interest in Puget Holdings or PSE.

3 This is consistent with the current ownership structure of Puget Holdings. Indeed,
4 one of the reasons Ontario Teachers seeks to obtain an indirect ownership interest
5 in PSE is because PSE is a reputable, well-run utility with stable regulatory
6 oversight and a strong management team. Ontario Teachers expects PSE to
7 operate in the same manner as it has been operating over the past decades. Ontario
8 Teachers believes that good governance is good business and is a key lever in
9 creating long-term sustainable value and reducing risk. Furthermore, good
10 governance is fundamental to the effective oversight and management of
11 environmental and social factors. Ontario Teachers does not anticipate material
12 changes to PSE's operations after the transaction and firmly supports the
13 continuity of PSE's management.

14 **IV. ONTARIO TEACHERS' ACQUISITION OF**
15 **A NONCONTROLLING, INDIRECT OWNERSHIP**
16 **INTEREST IN PSE IS CONSISTENT**
17 **WITH THE PUBLIC INTEREST**

18 **Q. Why is the acquisition of an indirect interest in PSE by Ontario Teachers**
19 **consistent with the public interest?**

20 A. PSE will play a key role in decarbonizing Washington State's power generation
21 and assisting local industries and consumers to lower their carbon footprints,
22 which is aligned with our own net zero ambition and focus on helping our

1 portfolio companies transition to and thrive in a low-carbon economy. Ontario
2 Teachers' investment in PSE comes amid a requirement for electric utilities in
3 Washington to eliminate coal-fired power by 2025 and supply 100 percent carbon
4 free electricity by 2045. The actions taken now regarding climate change will
5 have impacts on our members, partners and communities for generations to come.
6 Over the last decade, Ontario Teachers has built expertise, allocated capital and
7 engaged with companies and policymakers to address this urgent and complex
8 challenge. We are committed to doing our part alongside other organizations and
9 governments to help create a lower carbon, more sustainable future for all.

10 **Q. Has Ontario Teachers made regulatory commitments that are consistent**
11 **with the public interest?**

12 A. Yes. Ontario Teachers acknowledges and affirms its support for the commitments
13 as updated and restated in the Second Exhibit to the Prefiled Direct Testimony of
14 Adrian J. Rodriguez, Exh. AJR-3.

15 **Q. Will Ontario Teachers promote sustainability and carbon reduction in its**
16 **role as an indirect owner of PSE?**

17 A. Yes. As described above, Ontario Teachers supports PSE's aspirational goal of
18 becoming a Beyond Net Zero Carbon company by 2045. In January 2021, Ontario
19 Teachers announced its commitment to achieve net-zero greenhouse gas
20 emissions investment portfolio by 2050 aligning well with PSE's decarbonization
21 goals. This will entail increasing investments in climate-friendly companies and

1 solutions; ensuring portfolio companies manage and report their emissions
2 annually; and advocating for clear climate policies and partnering with global
3 organizations to effect change.

4 **Q. Has Ontario Teachers entered into any conduct agreements with any of the**
5 **other buyers?**

6 A. Yes. Please see the Prefiled Direct Testimony of Aaron Rubin, Exh. AR-1T, for a
7 discussion of the agreements between Ontario Teachers and Macquarie
8 Washington Clean Energy Investment, L.P.

9 **V. ONTARIO TEACHERS' RELATIONSHIP**
10 **WITH THE PROVINCE OF ONTARIO**

11 **Q. Please describe Ontario Teachers' relationship with the Province of Ontario.**

12 A. Ontario Teachers administers the Ontario Teachers' Pension Plan on behalf of the
13 331,000 active and retired teachers in accordance with the framework established
14 by the Teachers' Pension Act (Ontario). Under the Teachers' Pension Act
15 (Ontario), an independent eleven-member board oversees the management of the
16 Ontario Teachers' Pension Plan, with board members appointed by the sponsors
17 of the Ontario Teachers' Pension Plan. The Ontario Teachers' Pension Plan is
18 sponsored by the Ontario Teachers' Federation and the Government of Ontario
19 ("the Sponsors"). Together, the Sponsors (i) ensure the Ontario Teachers' Pension
20 Plan remains appropriately funded to pay pension benefits and (ii) decide issues
21 related to the contribution rate paid by working teachers (and matched by the

1 government and designated employers), the benefits that members will receive,
2 and determine how to address any funding shortfall or apply any surplus. The
3 Sponsors have no role in, or influence on, the day-to-day activities of any of
4 Ontario Teachers' portfolio investments.

5 **Q. Please explain the governance structure of the Ontario Teachers' Pension**
6 **Plan.**

7 A. The Ontario Teachers' Pension Plan's unique governance structure is a key reason
8 for its success. Ontario Teachers is an independent corporation and oversees
9 management of the pension fund and administration of the Ontario Teachers'
10 Pension Plan. Board members are professionals with financial and governance
11 expertise and are typically drawn from the fields of accounting, actuarial science,
12 banking, business, economics, education, information technology, and investment
13 management. Pursuant to the Teachers' Pension Act (Ontario), each Sponsor
14 appoints five members to the board of Ontario Teachers with the eleventh board
15 member jointly selected by both Sponsors and serving as Chair of the board. Each
16 member of the board of Ontario Teachers is appointed for a two-year term and
17 can serve for up to four consecutive terms. No member of management is a
18 member of the board. In accordance with its fiduciary duties under the Pension
19 Benefits Act (Ontario) and at common law, each member of the board of Ontario
20 Teachers must act in the best interests of the plan beneficiaries and independently
21 of the Sponsors and others. The board of Ontario Teachers has a long history of
22 independence.

1 **Q. Is the Province of Ontario a shareholder in the Ontario Teachers' Pension**
2 **Plan?**

3 A. No. Under the Teachers' Pension Act (Ontario), the Ontario Teachers' Pension
4 Plan is constituted as a corporation without share capital to which the
5 Corporations Act (Ontario) does not apply.

6 **Q. Does the Province of Ontario otherwise have an ownership interests in the**
7 **Ontario Teachers' Pension Plan?**

8 A. No. The Province of Ontario, together with the Ontario Teachers' Federation,
9 sponsors the Ontario Teachers' Pension Plan but does not hold any ownership
10 interest in the pension plan. Through a six-member Partners' Committee, the
11 Sponsors jointly set benefit levels, establish the contribution rate paid by working
12 teachers, and decide how to address funding shortfalls or use surplus funds when
13 they arise. Members of the Partners' Committee are not members of the board.

14 **Q. Please explain Ontario Teachers' control over the investments of the Ontario**
15 **Teachers' Pension Plan.**

16 A. Under the Teachers' Pension Act (Ontario), Ontario Teachers is made responsible
17 for administering the pension plan and managing the pension fund, which
18 includes the investment of plan assets, in accordance with applicable legislation.
19 As the administrator of the Ontario Teachers' Pension Plan for purposes of the
20 Pension Benefits Act (Ontario), the board is the only entity that is permitted to

1 exercise such authority, subject to appropriate delegation. Among other things,
2 the Pensions Benefit Act (Ontario) requires the board to exercise the degree of
3 care, diligence, and skill in the investment of assets that a person of ordinary
4 prudence would exercise in dealing with the property of others. The Pension
5 Benefits Act (Ontario) also requires publication of a written statement of
6 investment policies and procedures and the investment of the plan's assets be
7 made in accordance with various investment rules.² Ontario Teachers has
8 published its Statement of Investment Policies & Procedures confirming that each
9 board member to use all relevant knowledge and skill that they possess, or by
10 reason of their profession, business or calling ought to possess, to make decisions
11 to further the interests of the plan's beneficiaries.

12 **Q. Please explain the impact on PSE if a Sponsor were to replace its allotted**
13 **board members.**

14 A. Even if a Sponsor were to replace its entire allotment (*i.e.*, 5 of 11 members),
15 there would be no impact on PSE. First, the indirect investment in PSE is only
16 one of many investments made by Ontario Teachers as part of administering the
17 C\$221 billion pension plan. Second, day-to-day administration of the plan's
18 investments are the responsibility of the plan's management, not the board.
19 Second, the board is bound both by the Statement of Investment Policies &

² Ontario Teachers' Statement of Investment Policies & Procedures is available on its website, accessible at <https://www.otpp.com/documents/10179/20936/-/72ae966f-7aa9-40ae-b8fa-3642e76597df/Statement%20of%20Investment%20Policies%20&%20Procedures.pdf>.

1 Procedures as well as each member's fiduciary duty to act in the best interests of
2 plan members and independently of any other influence. The board approved
3 Ontario Teachers' Pension Plan's investment in Puget Holdings because such
4 investment is in the best interests of plan beneficiaries and consistent with the
5 criteria and limitations of the Statement of Investment Policies & Procedures and
6 other policies set by the board. A change in board composition would not alter
7 this conclusion.

8 **Q. Is Ontario Teachers an agency of the Province of Ontario?**

9 A. No. The Teachers' Pension Act (Ontario) continues Ontario Teachers as an
10 independent corporation and not an agent of the Province of Ontario.

11 **Q. Does the Province of Ontario have a governance agreement with Ontario
12 Teachers?**

13 A. No.

14 **Q. Is any further approval by Ontario Teachers required for consummation of
15 the Proposed Transaction?**

16 A. No.

17 **VI. CONCLUSION**

18 **Q. Does this conclude your pre-filed direct testimony?**

19 A. Yes, it does.