

**EXH. JA-1JT
DOCKET U-180680
WITNESS: JON A. PILIARIS
AHMED MUBASHIR
MARTIJN J. VERWOEST
LINCOLN WEBB
STEVEN ZUCCHET**

**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

**JOINT TESTIMONY
(NONCONFIDENTIAL) OF**

**JON A. PILIARIS, AHMED MUBASHIR, MARTIJN J. VERWOEST,
LINCOLN WEBB, AND STEVEN ZUCCHET**

**ON BEHALF OF JOINT APPLICANTS IN SUPPORT OF MULTIPARTY
SETTLEMENT STIPULATION AND AGREEMENT**

JANUARY 18, 2019

JOINT APPLICANTS

**JOINT TESTIMONY (NONCONFIDENTIAL) OF
JON A. PILIARIS, AHMED MUBASHIR, MARTIJN J. VERWOEST,
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**SUPPORTING THE MULTIPARTY SETTLEMENT STIPULATION AND
AGREEMENT**

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5 **SUPPORTING THE MULTIPARTY SETTLEMENT STIPULATION AND**
6 **AGREEMENT**

7 **I. INTRODUCTION**

8 **Q. Please state your name and business address.**

9 A. My name is Jon A. Piliaris. I am employed as Director, Regulatory Affairs, with
10 Puget Sound Energy (“PSE”). My business address is 10885 NE Fourth Street,
11 Bellevue, WA 98009-9734.

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

14 A. Yes, I have. It is Exh. JA-2.

15 **Q. Have you previously provided any prefiled direct testimony in this**
16 **proceeding?**

17 A. No, I have not.

18 **Q. Are you the same Ahmed Mubashir who submitted prefiled direct testimony**
19 **on September 5, 2018, on behalf of Alberta Investment Management**
20 **Corporation (“AIMCo”), in this proceeding?**

21 A. Yes.

1 **Q. Are you the same Lincoln Webb who submitted prefiled direct testimony on**
2 **September 5, 2018, on behalf of British Columbia Investment Management**
3 **Corporation (“BCIMC”) in this proceeding?**

4 A. Yes.

5 **Q. Are you the same Martijn J. Verwoest who submitted prefiled direct**
6 **testimony on September 5, 2018, on behalf of PGGM Vermogensbeheer B.V.**
7 **(“PGGM”) in this proceeding?**

8 A. Yes.

9 **Q. Are you the same Steven Zucchet who submitted prefiled direct testimony on**
10 **September 5, 2018, on behalf of OMERS Administration Corporation**
11 **(“OMERS”) in this proceeding?**

12 A. Yes.

13 **Q. What is the purpose of your joint testimony?**

14 A. This joint testimony addresses the Joint Applicants’ support for the Multiparty
15 Settlement Stipulation and Agreement (“Settlement Stipulation”) filed with the
16 Commission on January 15, 2019, which recommends Commission approval of
17 the proposed sale of the 43.99 percent equity interest of Macquarie Infrastructure
18 Partners Inc. and Padua MG Holdings LLC (collectively “Macquarie”) in Puget
19 Holdings LLC to AIMCo, BCIMC, OMERS, and PGGM (the “Proposed
20 Transactions”). This joint testimony sets forth the Joint Applicants’ testimony as

1 to why the Settlement Stipulation is supported by the Joint Applicants, is in the
2 public interest, and should be approved by the Commission.

3 **Q. Who are the other parties to the Settlement Stipulation?**

4 A. In addition to the Joint Applicants, the following parties have joined in the
5 Settlement Stipulation: the Commission’s regulatory staff (“Commission Staff”),
6 the Public Counsel Unit of the Washington State Attorney General’s Office
7 (“Public Counsel”), the Alliance of Western Energy Consumers, The Energy
8 Project, and NW Energy Coalition. These parties are hereinafter collectively
9 referred to as the “Settling Parties” and individually as a “Settling Party.” The
10 Federal Executive Agency has not joined, but does not oppose, the Settlement
11 Stipulation.

12 There are three other parties who have not joined the Settlement Stipulation. They
13 are the Washington and Northern Idaho District Council of Laborers, the
14 International Brotherhood of Electrical Workers Local 77, and the United
15 Association Local 32 of Journeymen and Apprentices of the Plumbing and
16 Pipefitting Industry of the U.S. and Canada.

17 **II. THE SETTLEMENT STIPULATION IS IN THE PUBLIC INTEREST**

18 **A. Summary of the Key Provisions of the Settlement Stipulation from the Joint**
19 **Applicants’ Perspective**

20 **Q. Why is the Settlement Stipulation in the public interest?**

21 A. A prompt resolution of this matter is in the public interest because the Proposed
22 Transactions do not involve the acquisition of a controlling interest in PSE and

1 there will be no harm to customers nor any change to PSE’s business operations
2 as a result of the Proposed Transactions. The Joint Applicants are committing to
3 an extensive and comprehensive set of commitments that will ensure that the
4 public will not be harmed by the Proposed Transactions, in accordance with the
5 applicable legal standard in this case—the public interest, “no harm” standard. A
6 significant number of the commitments are reaffirmations of the commitments
7 made and approved by the Commission in Docket U-072375 (“2008 Acquisition
8 Order”). To the extent those 2008 commitments are not being reaffirmed, it is
9 because those commitments were satisfied—no protections relied upon in the
10 2008 Acquisition Order are being rolled back. There are also several important
11 new or expanded commitments that address issues such as the Tacoma Liquid
12 Natural Gas facility (“Tacoma LNG Facility”), the Colstrip Steam Plant
13 (“Colstrip”), and PSE’s goal to reduce its carbon footprint by 50 percent by 2040.
14 In addition, the Joint Applicants agreed to several new and updated commitments
15 that were proposed by the parties to this case. These commitments demonstrate
16 that the Settlement Stipulation and the Proposed Transactions are in the public
17 interest and should be approved by the Commission.

18 **Q. How are the commitments organized?**

19 A. The Settling Parties have agreed to reorganize the commitments, by general topic
20 area, for ease of reference. Thus, commitments that remain from the 2008
21 Acquisition Order will be numbered differently from that case. The categories of
22 commitments agreed to by the Settling Parties include:

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- Governance and operations commitments;
- Regulatory commitments;
- Ring-fencing and financial commitments;
- Community and low-income commitments;
- Environmental commitments;
- Energy efficiency commitments;
- Colstrip commitments;
- LNG commitments; and
- Various miscellaneous additional commitments.

The Settling Parties have discussed and negotiated these commitments in good faith to ensure that the public will not be harmed as a result of the Proposed Transactions. A general description of the proposed commitments and how they are consistent with the public interest is described below.

B. Governance and Operations Commitments

Q. Please explain the “Governance and Operations” commitments.

A. The “Governance and Operations” commitments are commitments relating to the governance of Puget Energy and PSE and PSE’s business operations. These commitments address (i) the composition of PSE and Puget Energy’s boards of directors, (ii) PSE’s commitment to honor its labor agreements and staffing in PSE’s service areas, and (iii) that the PSE and Puget Energy corporate headquarters will remain in PSE’s service territory.

1 **Q. Why are these “Governance and Operations” commitments in the public**
2 **interest?**

3 A. These “Governance and Operations” commitments are unchanged from the
4 commitments approved by the Commission in the 2008 Acquisition Order and
5 reflect the fact that PSE’s business operations will not be changed by the
6 Proposed Transactions. Following the close of the Proposed Transactions, PSE’s
7 customers, employees, and the communities it serves will see no change in PSE’s
8 operations, and thus PSE’s customers will not be harmed or impacted adversely
9 by the Proposed Transactions.

10 **C. Regulatory Commitments**

11 **Q. Please explain the “Regulatory” commitments.**

12 A. The “Regulatory” commitments address a wide range of topics relating to PSE’s
13 interaction with the Commission, rate recovery, access to books and records, and
14 affiliated transactions, to name a few. Most of these commitments were included
15 in the 2008 Acquisition Order, although they have been updated to apply to the
16 Proposed Transactions. Some of the notable additions to the “Regulatory”
17 commitments, as compared to the 2008 Acquisition Order, are as follows:

- 18 • Commitment No. 9: This is a new commitment that formalizes an
19 existing practice with respect to notifying the Commission of transfers
20 of less than a ten percent membership interest in Puget Holdings. It
21 requires that such notice be given to the Commission at least thirty
22 days prior to the closing of any transfer or sale of any membership
23 interest in Puget Holdings, and is intended to be for informational
24 purposes only. Over the past decade, PSE has provided similar notice

1 to the Commission of such small transfers of interest, and this
2 commitment formalizes this practice.

- 3 • Commitment No. 15: PSE has updated its service quality commitment.
4 In this updated commitment, PSE agrees that it will not seek to abolish
5 its Service Quality Program, although the program can be modified, if
6 warranted. PSE has further committed to notify Commission Staff and
7 Public Counsel of any change to a service quality measure.
- 8 • Commitment No. 22: This is a new commitment in which PSE agrees
9 to notify the Commission and parties of changes to certain Canadian
10 pension laws that could affect the members of Puget Holdings. This
11 commitment addresses parties' stated concerns about possible changes
12 in Canadian laws that apply to certain of the Joint Applicants. This
13 commitment is informational only.
- 14 • Commitment No. 23: In this new commitment, PSE agrees to notify
15 the Commission and parties to this case of any (i) change to voting
16 requirements in the PSE bylaws or the Puget Holdings LLC
17 Agreement or (ii) creation of an enforceable voting agreement among
18 two or more members of Puget Holdings. This commitment was
19 incorporated to respond to parties' stated concerns regarding possible
20 coordination among Puget Holdings' members. This commitment is
21 informational only.

22 **Q. Why are these “Regulatory” commitments in the public interest?**

23 A. These “Regulatory” commitments, both the continuing commitments and the
24 additional commitments, ensure that the Proposed Transactions will not
25 negatively impact PSE’s regulatory obligations and relationship with the
26 Commission and key stakeholders.

27 **D. Ring-Fencing and Financial Commitments**

28 **Q. Please explain the “Ring-Fencing and Financial” commitments.**

29 A. The “Ring-Fencing and Financial” commitments are designed to protect PSE and
30 its customers from any financial distress or upstream risks that Puget Holdings

1 might experience. The Commission approved extensive ring fencing and financial
2 commitments in the 2008 Acquisition Order. These protections remain in place
3 and have been supplemented with the following commitments:

- 4 • Commitment No. 36: At the request of intervening parties, Puget
5 Holdings and PSE have agreed to refresh the non-consolidation
6 opinion and file it with the Commission within ninety days of the
7 closing of the Proposed Transactions. The non-consolidation opinion
8 will address the sufficiency of the ring-fencing provisions specifically
9 in the event of a bankruptcy event.
- 10 • Commitment No. 38: At the request of intervening parties, PSE has
11 agreed to file with the Commission information on the total amount of
12 debt held at Puget Energy and PSE, as well as the materials terms of
13 any new issuances of debt. While the Joint Applicants do not
14 necessarily agree that this information is necessary to protect the
15 public interest, the Joint Applicants support this commitment as part of
16 this comprehensive settlement package.

17 **Q. Why are these “Ring-Fencing and Financial” commitments in the public**
18 **interest?**

19 A. These “Ring-Fencing and Financial” commitments continue to provide strong
20 protection to PSE and its customers from upstream risks while also increasing
21 transparency. The Commission approved robust ring-fencing and financial
22 commitments in the 2008 Acquisition Order, including limits on when Puget
23 Energy and PSE can issue dividends to upstream entities. These strong ring-
24 fencing and financial commitments remain in place and have been bolstered with
25 the additional commitments discussed above.

1 **E. Community and Low-Income Commitments**

2 **Q. Please explain the “Community and Low-Income” commitments.**

3 A. The “Community and Low-Income” commitments relate to financial community
4 contributions and support Puget Holdings and PSE agree to provide. Several of
5 these commitments are reaffirmations of the commitments approved by the
6 Commission in the 2008 Acquisition Order. However, there are several new or
7 expanded commitments. These include additional commitments regarding bill
8 assistance to qualifying low-income customers and expanded funding for low-
9 income weatherization programs—including a \$2 million one-time contribution
10 by Puget Holdings to the Low-Income Weatherization Program.

11 **Q. Why are these “Community and Low-Income” commitments in the public
12 interest?**

13 A. These “Community and Low-Income” commitments demonstrate that Puget
14 Holdings and PSE are firmly committed to maintaining the level of corporate
15 contributions and community support and that such programs will not be
16 negatively impacted by the Proposed Transactions. The \$2 million one-time
17 contribution by Puget Holdings from shareholder funds in support of the Low-
18 Income Weatherization Program will significantly benefit PSE’s low-income
19 customers as well as all PSE customers by funding additional energy efficiency
20 measures. This contribution is provided as part of the comprehensive settlement

1 package in this proceeding, including an agreement by the parties to seek
2 expedited consideration of the settlement by the Commission.

3 **F. Environmental Commitments**

4 **Q. Please explain the “Environmental” commitments.**

5 A. The “Environmental” commitments include the Joint Applicants’ support of
6 PSE’s obligations under Washington’s Renewable Portfolio Standard and the
7 acquisition of renewable energy resources, where consistent with PSE’s biennial
8 integrated resource planning process. Importantly, these commitments reflect
9 Puget Holdings’ commitment to and support for PSE’s goal to reduce greenhouse
10 gas emissions by fifty percent of PSE’s 2016 greenhouse gas footprint by 2040.
11 Pursuant to these Environmental commitments, PSE has agreed to continue to
12 produce an annual Greenhouse Gas Inventory Report.

13 **Q. Why are these “Environmental” commitments in the public interest?**

14 A. These “Environmental” commitments demonstrate that the Proposed Transactions
15 will have no adverse impact on, and have strengthened, Puget Holdings’ and
16 PSE’s commitment to acquiring renewable energy resources and to reducing
17 greenhouse gas emissions. These commitments are all consistent with the public
18 interest.

1 **G. Energy Efficiency Commitments**

2 **Q. Please explain the “Energy Efficiency” commitments.**

3 A. The “Energy Efficiency” commitments relate to PSE’s ongoing support of market
4 transformation by participating in the Northwest Energy Efficiency Alliance
5 (“NEEA”), as well as PSE’s commitment to accelerate its business case review of
6 an on-bill repayment program for customer investments in energy efficiency and
7 to work collaboratively with the Conservation Resource Advisory Group
8 (“CRAG”) to determine if such a program is cost-effective and serves the best
9 interests of PSE customers. PSE also commits to working with the Northwest
10 Energy Efficiency Council and the CRAG to adaptively manage and modify
11 PSE’s “Pay for Performance” pilot to attract more participants with the goal of
12 having a successful whole-building pilot that significantly reduces energy use
13 intensity.

14 **Q. Why are these “Energy Efficiency” commitments in the public interest?**

15 A. These “Energy Efficiency” commitments are in the public interest because they
16 demonstrate the Joint Applicants’ commitment to PSE’s energy efficiency
17 measures that benefit customers. By participating in NEEA, PSE will continue to
18 support and collaborate with other utilities and interested stakeholders in
19 advancing energy efficiency throughout the region, which benefits customers.
20 PSE is currently evaluating whether an on-bill repayment program would benefit
21 customers for customer investments in energy efficiency. Finally, PSE’s “Pay for

1 Performance” pilot encourages commercial and industrial customers to invest in
2 deep retrofits to their facilities that will promote energy efficiency.

3 **H. Colstrip Commitments**

4 **Q. Please explain the “Colstrip” commitments.**

5 A. The Colstrip commitments are reaffirmations of commitments that were made in
6 PSE’s 2017 general rate case, Dockets UE-170033 and UG-170034. The
7 commitments address funding of unrecovered plant balances for Colstrip Units 1
8 through 4, community transition planning funding, and reporting to the
9 Commission on Colstrip retirement estimates and decommissioning and
10 remediation expenditures, among other things.

11 **Q. Why are these “Colstrip” commitments in the public interest?**

12 A. These “Colstrip” commitments demonstrate that the Joint Applicants are
13 supportive of PSE’s ongoing obligations and commitments with respect to
14 retirement planning for the Colstrip units and transition support for the Colstrip
15 community. After the close of the Proposed Transactions, PSE will continue to
16 follow through with these important obligations that will reduce carbon emissions
17 in the upcoming years.

1 **I. LNG Commitments**

2 **Q. Please explain the “LNG” commitments.**

3 A. The “LNG” commitments are reaffirmations of commitments that were made in
4 Docket UG-151663, relating to the creation of Puget LNG, LLC as a special
5 purpose entity for the purposes of owning, developing and financing the Tacoma
6 LNG Facility. These commitments limit the use of capital expenditure credit
7 facilities and provide that PSE’s customers will be held harmless from liabilities
8 and financial losses of non-regulated activity at the Tacoma LNG Facility. They
9 also require Commission notification of the sale or transfer of the assets of the
10 Tacoma LNG Facility or Puget LNG, LLC’s non-regulated operations.

11 **Q. Why are these “LNG” commitments in the public interest?**

12 A. These “LNG” commitments have previously been determined by the Commission
13 to be in the public interest. The inclusion of these commitments in this case
14 demonstrates that the Joint Applicants are aware of and supportive of PSE’s
15 ongoing commitments with respect to Puget LNG, LLC.

16 **J. Miscellaneous Commitments**

17 **Q. Please explain the “Miscellaneous” commitments.**

18 A. The “Miscellaneous” commitments demonstrate that the Joint Applicants are fully
19 supportive of all the commitments associated with the Settlement Stipulation.
20 Puget Holdings and PSE acknowledge the Commission’s authority to enforce the
21 commitments and Puget Holdings agrees to submit to the jurisdiction of

1 Washington courts for enforcement of these commitments and subsequent orders
2 affecting PSE. To the extent any failure to comply with any commitment occurs,
3 PSE is required to report the failure within five business days of the failure,
4 including a description of any corrective action taken. Prior to the closing of the
5 Proposed Transaction, the Joint Applicants and Puget Holdings will file affidavits
6 with the Commission affirming the above.

7 **Q. Why are these “Miscellaneous” commitments in the public interest?**

8 A. These “Miscellaneous” commitments are in the public interest because they
9 confirm that after the closing of the Proposed Transactions, Puget Holdings and
10 its owners will be fully supportive of the commitments that remain in place from
11 the 2008 Acquisition Order as well as the new commitments made in this
12 proceeding.

13 **III. CONCLUSION**

14 **Q. Does this conclude your joint testimony?**

15 A. Yes, it does.