



STATE OF WASHINGTON

UTILITIES AND TRANSPORTATION COMMISSION

1300 S. Evergreen Park Dr. S.W., P.O. Box 47250 • Olympia, Washington 98504-7250

(360) 664-1160 • TTY (360) 586-8203

December 21, 2017

Steven V. King, Executive Director and Secretary
Washington Utilities and Transportation Commission
1300 S. Evergreen Park Dr. SW
P. O. Box 47250
Olympia, Washington 98504-7250

RE: *In the Matter of the Puget Sound Energy Notice of Sale of 3.72 Percent Ownership Interest in Puget Holdings LLC to Certain Existing Owners of Puget Holdings LLC,*
Docket UE-171127.

On November 15, 2017, Puget Sound Energy (PSE) notified the Washington Utilities and Transportation Commission (Commission) of the sale of 3.72 percent ownership interest in Puget Holdings LLC (Puget Holdings) to certain existing owners of Puget Holdings. Specifically, FSS Infrastructure Trust's (FSS) ownership interest in Puget Holdings will be purchased as follows: 2.17 percent to MIP Padua Holdings, L.P. (MIP Padua or MIP Funds); 1.07 percent to British Columbia Investment Management Corporation; and 0.48 percent to Alberta Investment Management Corporation. "MIP" stands for Macquarie Infrastructure Partners Inc.

A consortium of investors own Puget Holdings, and Macquarie entities hold the largest percentage of Puget Holdings. Although the Macquarie entities will collectively own 43.99 percent of Puget Holdings following the transaction, this is not a controlling share under Puget Holdings' governance agreement.¹ In 2008, the Commission approved the acquisition of PSE by

¹ Puget Holdings' current governance agreement regarding voting rights requires the approval of 55 percent of the shares to support most action and the approval of 80 percent of the shares for certain significant corporate decisions. First Amendment to Second Amended and Restated Limited Liability Company Agreement of Puget Holdings LLC, October 30, 2017.

Puget Holdings.² In its order approving the transaction, the Commission approved multiple commitments by applicants including ring-fencing and other mechanisms designed to protect ratepayers and the public interest.

One of these commitments, Commitment 26(b), provides that Puget Holdings and PSE will notify the Commission if there is a “change in effective control or acquisition of any material part of PSE.” The Commission modified this commitment in its order by “clarifying that the term ‘material part of PSE’ means any sale or transfer of stock representing 10 percent of the equity ownership of Puget Holdings or PSE, and that any acquisition of a material part (*i.e.*, 10 percent or more) of PSE or any change in effective control of PSE requires Commission approval.”³

On October 11, 2017, PSE filed a Notice of Internal Reorganization of Upstream Owners of Puget Holdings LLC, which involved redistributing 9.9 percent of the equity ownership of Puget Holdings from one Macquarie entity to another Macquarie entity.⁴ The Commission recognized that this ownership transfer fell under the 10 percent materiality threshold and did not result in a change of effective control of PSE. On November 6, 2017, the Commission transmitted a letter to PSE acknowledging PSE’s notification.

I have reviewed PSE’s notice filing in the immediate docket and have concluded that the sale of 3.72 percent of Puget Holdings equity ownership from FSS to certain existing owners falls well below the 10 percent threshold and does not result in a change in the effective control of Puget Holdings or PSE. Further, the transaction does not weaken or otherwise affect the ring-fencing and other provisions in Order 08 that protect ratepayers and the public interest. In addition, based on communications between myself and PSE, it is my understanding that PSE does not currently have plans to file further transfers of less than 10 percent ownership of Puget Holdings.

Melissa C. Cheesman
Regulatory Analyst, Regulatory Service Division

cc: Mark Vasconi, Director, Regulatory Services, Regulatory Services Division
Thomas Schooley, Assistant Director, Energy Regulation, Regulatory Services Division

² *In the Matter of the Joint Application of Puget Holdings LLC and Puget Sound Energy, Inc., for an Order Authorizing Proposed Transaction*, Docket U-072375, Order 08 (Dec. 30, 2008) (Order 08).

³ Order 08 at ¶ 86.

⁴ Docket UE-171039.