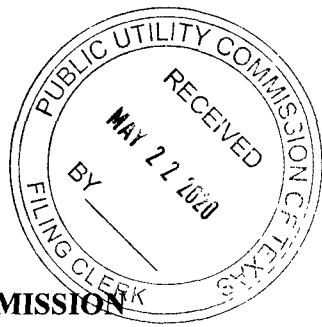


PUC DOCKET NO. 50584



**JOINT REPORT AND APPLICATION OF §
WIND ENERGY TRANSMISSION §
TEXAS, LLC; AXINFRA US LP; §
HOTSPUR HOLDCO 1 LLC; HOTSPUR §
HOLDCO 2 LLC; AND 730 HOTSPUR §
LLC, FOR REGULATORY APPROVALS §
PURSUANT TO PURA §§14.101, 39.262 §
AND 39.915 §**

**PUBLIC UTILITY COMMISSION
OF TEXAS**

REDACTED

DIRECT TESTIMONY

OF

CHARLES S. GRIFFEY

ON BEHALF OF

TEXAS INDUSTRIAL ENERGY CONSUMERS

May 21, 2020

PUC DOCKET NO. 50584

**JOINT REPORT AND APPLICATION OF §
WIND ENERGY TRANSMISSION § PUBLIC UTILITY COMMISSION
TEXAS, LLC; AXINFRA US LP; § OF TEXAS
HOTSPUR HOLDCO 1 LLC; HOTSPUR §
HOLDCO 2 LLC; AND 730 HOTSPUR §
LLC, FOR REGULATORY APPROVALS §
PURSUANT TO PURA §§14.101, 39.262 §
AND 39.915 §**

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1 **DIRECT TESTIMONY OF CHARLES S. GRIFFEY**

2 **I. INTRODUCTION**

3 **Q. PLEASE STATE YOUR NAME, OCCUPATION, AND BUSINESS ADDRESS.**

4 A. My name is Charles S. Griffey, and I am a consultant providing services to the electric and
5 natural gas industries. My address is 2918 Todville Road, Seabrook, Texas 77586.

6 **Q. ON WHOSE BEHALF ARE YOU PROVIDING TESTIMONY?**

7 A. I am testifying on behalf of Texas Industrial Energy Consumers.

8 **Q. PLEASE OUTLINE YOUR FORMAL EDUCATION AND CERTIFICATIONS.**

9 A. I have a Master of Business and Public Management from the Jones Graduate School of
10 Business at Rice University and a Bachelor of Science in Chemical Engineering from Rice
11 University. I am a Chartered Financial Analyst and a Professional Engineer registered in
12 the State of Texas.

13 **Q. PLEASE STATE YOUR PROFESSIONAL EXPERIENCE.**

14 A. I provide consulting services to the energy industry, including generators, retail electric
15 providers, customers, fuel suppliers, and the Staff of the Public Utility Commission of
16 Texas (“Commission”). Prior to becoming a consultant in 2009, I was employed by Reliant
17 Energy, Inc. (“Reliant”) as Senior Vice President of Regulatory Affairs and Market Design,
18 reporting to the CEO. I was responsible for Reliant’s nationwide efforts in the design of
19 competitive markets, regulatory affairs, including interface with state commissions and
20 Regional Transmission Organizations, and government affairs. Reliant owned generation
21 in a number of states and had retail operations in Texas and the Mid-Atlantic region. At
22 Reliant, I served on the Strategic Planning Committee, the Retail Leadership Team, and
23 the Wholesale Leadership Team.

24 I began working for Houston Lighting and Power (“HL&P”—the electric utility
25 serving parts of Southeast Texas and the predecessor company to Reliant—in 1989, in
26 Corporate Planning. There I dealt with generation planning and demand-side management,
27 including analysis of power purchases and determination of marginal cost. Beginning in

1 1995, I was also responsible for the rate department, and I eventually became Vice
2 President of Regulatory Planning, with responsibility for generation planning, financial
3 planning, rates, and rate design and cost allocation. Subsequently, I helped lead the
4 integrated utility's efforts in restructuring the ERCOT market and transitioning the
5 company for competition by, integrating both wholesale and retail market design and
6 operations; restructuring utility functions and affiliate issues; managing the corporate
7 separation and spin-off of the unregulated business; and working on public policy.

8 Before working for Reliant, I worked for Austin Energy, for the Public Utility
9 Commission of Texas, and for Bechtel Group, Inc. as an engineer on the Coolwater Coal
10 Gasification Project.

11 **Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE ANY REGULATORY
12 COMMISSIONS OR COURTS?**

13 A. Yes. I have testified before, the Federal Energy Regulatory Commission ("FERC"), and
14 the state regulatory commissions of Colorado, Indiana, Kansas, Louisiana, Maryland,
15 Mississippi, New Mexico, Pennsylvania, and Texas. I have also testified or provided
16 expert reports to state and federal courts and provided testimony before the Texas
17 Legislature. As a consultant, I have testified on behalf of individual ratepayers and
18 customer coalitions, retail electric providers, generators, fuel suppliers, and the Staff of the
19 Texas Public Utility Commission. Exhibit CSG-1 lists the testimony I have presented and
20 a summary of my work experience.

21 **Q. HAVE YOU PREVIOUSLY PROVIDED TESTIMONY IN ANY SALE,
22 TRANSFER OR MERGER (STM) PROCEEDINGS BEFORE THE
23 COMMISSION?**

24 A. Yes, I have provided testimony in the following STM proceedings before the Commission:
25

- Docket No. 41223, *Application of Entergy Texas, Inc., ITC Holdings Corp., MidSouth
Transco LLC, Transmission Company of Texas, LLC and ITC MidSouth LLC for
Approval of Change of Ownership and Control of transmission Business, Transfer of
Certification Rights, Certain Cost Recovery Approvals and Related Relief;*
- Docket No. 41850, *Application of Entergy Texas, Inc., ITC Holdings Corp., MidSouth
Transco LLC, Transmission Company Texas, LLC, and ITC MidSouth LLC for
Approval of Change of Ownership and Control of Transmission Business, Transfer of
Certification Rights and Related Relief;*

- 1 • Docket No. 45815, *Joint Report and Application of Oncor Electric Delivery Company,*
2 *LLC, Ovation Acquisition I, LLC, Ovation Acquisition II, LLC and Shary Holdings,*
3 *LLC for Regulatory Approvals Pursuant to PURA §§ 14.101, 37.154, 39.262(l)-(m),*
4 *and 39.915;*
- 5 • Docket No. 46050, *Application of AEP Texas Central Company, AEP Texas North*
6 *Company and AEP Utilities, Inc. for Approval of Merger;*
- 7 • Docket No. 46238, *Joint Report and Application of Oncor Electric Delivery Company*
8 *LLC and NextEra Energy, Inc. for Regulatory Approvals Pursuant to PURA §§ 14.101,*
9 *39.262 and 39.915*
- 10 • Docket No. 48929, *Joint Report and Application of Oncor Electric Delivery*
11 *Company LLC, Sharyland Distribution & Transmission Services, L.L.C., Sharyland*
12 *Utilities, L.P., and Sempra Energy for Regulatory Approvals Under PURA §§ 14.101,*
13 *37.154, 39.262, and 39.915;*
- 14 • Docket No. 49849, *Joint Report and Application of El Paso Electric Company, Sun*
15 *Jupiter Holdings LLC, and IIF US Holding 2 LP for Regulatory Approvals Under*
16 *PURA §§ 14.101, 39.262, and 39.915.*

17 In addition, I provided expert consulting services in the following cases that were settled
18 or dismissed without intervenor testimony:

- 19 • Docket No. 37990, *Joint Report and Application of Sharyland Utilities, L.P., Sharyland*
20 *Distribution & transmission Services, LLC, Hunt Transmission Services, LLC, Cap*
21 *Rock Energy Corporation and NewCorp Resources Electric Cooperative, Inc. for*
22 *Regulatory Approvals Pursuant to PURA §§ 14.101, 37.154, 39.262 and 39.915;*
- 23 • Docket No. 47453, *Joint Report and Application of Texas Transmission Holdings*
24 *Corporation and NextEra Energy, Inc. for Regulatory Approvals Pursuant to PURA*
25 *§§ 14.101, 39.262 and 39.915;*
- 26 • Docket No. 47469, *Joint Report and Application of Sharyland Utilities, L.P., Sharyland*
27 *Distribution & Transmission Services, LLC and Oncor Electric Delivery Company,*
28 *LLC for Transfer of Facilities, Transfer of Rights Under and Amendment of*
29 *Certifications of Convenience and Necessity, and for other Regulatory Approvals.*

30 **Q. HAVE YOU TESTIFIED CONCERNING RING-FENCING IN ANY OTHER**
31 **CASES?**

32 A. Yes. I testified regarding ring-fencing in the most recent rate case for CenterPoint Energy,
33 PUC Docket No. 49421, the *Application of CenterPoint Energy Houston Electric, LLC for*
34 *Authority to Change Rates.*

1 Q. **DID YOU RELY ON SOURCES OF INFORMATION THAT YOU REGARD AS
2 RELIABLE, AND THAT ARE ORDINARILY AND CUSTOMARILY USED AND
3 RELIED ON BY THOSE INVOLVED IN THE ELECTRIC INDUSTRY?**

4 A. Yes. The RFIs and discovery materials that I relied upon are attached as Exhibit CSG-8.

5 Q. **WHAT IS THE SUBJECT OF YOUR TESTIMONY?**

6 A. I have been asked to review whether the purchase of Wind Energy Transmission Texas,
7 LLC (WETT) by an investment fund, AxInfra US LP (AxInfra), and an investment and
8 insurance provider, TIAA, (collectively, the “Purchasers,” and the “Proposed
9 Transaction”) is in the public interest. I address the current condition of WETT and its
10 parent, WETT Holdings LLC (“WETT Holdings”), the impacts of the Proposed
11 Transaction, and the conditions that are necessary for the Proposed Transaction to be in the
12 public interest. Without the conditions I recommend below, the transaction should not be
13 approved.

14 **II. ANALYSIS OF THE PROPOSED TRANSACTION
15 AND AGREEMENTS**

16 A. **OVERVIEW OF WETT’S CURRENT FINANCIAL STRUCTURE AND
17 THE PROPOSED TRANSACTION**

18 Q. **PLEASE DESCRIBE WETT’S CURRENT ASSETS, FINANCIAL STRUCTURE,
19 GOVERNANCE, AND DIVIDEND POLICY.**

20 A. WETT’s primary asset is a single, 375-mile CREZ transmission line. WETT has no
21 geographic service area, and no ongoing obligation to extend service to end-use customers.
22 WETT’s rate base is approximately \$730 million¹ and it has plans for approximately \$ █
23 █ in capital spending for new interconnections.²

24 WETT is a limited liability company owned entirely by WETT Holdings LLC.
25 WETT does not have its own board of directors; the only board of directors is at WETT
26 Holdings. WETT Holdings is owned by Brookfield Asset Management (Brookfield) and

¹ WETT’s 2018 Earnings Monitoring Report at 7
(http://interchange.puc.texas.gov/Documents/49355_11_1018232.PDF).

² AxInfra Response to TIEC 1-8 at 17 (HSPM).

1 the Public Sector Pension Investment Board (PSP), a Canadian pension fund. Through
2 subsidiaries, Brookfield and PSP each own 50% of WETT Holdings and each have three
3 members on the WETT Holdings board. WETT's current corporate structure is shown on
4 Exhibit CSG-2.

5 The Commission has historically set WETT's rates based on a regulatory capital
6 structure of 60% debt and 40% equity. Currently, WETT is financed with 54% debt and
7 46% equity in [REDACTED]

8 [REDACTED]^{3,4} However, much of the "equity" at WETT is funded with almost \$[REDACTED]
9 [REDACTED] in debt at WETT Holdings. When this additional upstream debt (known as "back-
10 leverage" or "double-leverage") is considered, the consolidated capital structure for WETT
11 and WETT Holdings is [REDACTED] % debt and [REDACTED] % equity.⁵ Moreover, WETT's owners, through
12 the WETT Holdings LLC agreement, are [REDACTED]
13 [REDACTED]
14 [REDACTED]⁶ and Brookfield believes that a [REDACTED] %
15 consolidated debt level is an appropriate target to meet that obligation.⁷ Since various
16 agreements with lenders prevent WETT Holdings from owning any entity other than
17 WETT,⁸ the utility's revenues are actually supporting a capital structure that consists of
18 [REDACTED] % debt, or \$[REDACTED] in debt on a net plant in service of \$825 million.⁹

³ AxInfra Response to TIEC 1-3 and TIEC 1-9 at tab "Control" (HSPM).

⁴ [REDACTED] provided in AxInfra's Response to TIEC 1-8 at Bates 226 (HSPM).

⁵ [REDACTED] provided in AxInfra's Response to TIEC 1-8 at Bates 135, 137 and 139 (HSPM).

⁶ [REDACTED] provided in AxInfra's Response to TIEC 1-8 at Bates 99 (HSPM).

⁷ WETT Response to TIEC 1-3 at Bates 064957 (Confidential).

⁸ [REDACTED]

Bates 068608 (Confidential).

1 Further, WETT and WETT Holdings are ██████████ to
2 the upstream owners.¹⁰ After WETT's rates were reduced in 2019, WETT/WETT
3 Holdings' highly leveraged capital structure and practice of ██████████ was
4 putting downward pressure on WETT and WETT Holdings' credit ratings. In fact, WETT
5 and WETT Holdings recently switched their sole debt-rating agency from Moody's to
6 the Kroll Bond Rating Agency ("KBRA") due ██████████
7 ██████████ The reason for this decision and
8 its implications are discussed in greater detail in Section II.C.i. Subsequently, Brookfield
9 and PSP decided to sell their ownership in WETT.

10 **Q. PLEASE BRIEFLY DESCRIBE THE PROPOSED TRANSACTION.**

11 A. Please refer to page 2 of Exhibit CSG-2 for Applicants' proposed post-closing structure.
12 Through various intermediate subsidiaries, AxInfra and TIAA (through an entity called
13 730 Hotspur, LLC) are proposing to purchase 100% of WETT for approximately \$ ██████████
14 ██████████¹¹ Following the transaction, AxInfra will own 65.7% of WETT and TIAA will
15 own the remaining 34.3%.¹² WETT Holdings will remain WETT's immediate parent, and
16 AxInfra will appoint two of the three members of the WETT Holdings board. Purchasers
17 intend to maintain WETT's current 54% debt, 46% equity capitalization, but both WETT
18 Holdings and Hotspur SPV LLC will take on additional new debt, as discussed below.¹³

19 **Q: HOW WILL THE PROPOSED TRANSACTION BE FINANCED?**

20 A. Referring to page 2 of Exhibit CSG-2, the Purchasers plan to assume approximately \$ ██████████
21 ██████████ of debt at WETT and \$ ██████████ at WETT Holdings, while redeeming an
22 additional \$ ██████████ in floating rate debt at WETT Holdings at closing. Additionally,
23 the Purchasers will finance their purchase with \$ ██████████ of new debt at WETT, \$ ██████████

10 ██████████
████████████ provided in AxInfra's Response to TIEC 1-8 at Bates 99
(HSPM).

¹¹ Page A-58 of Exhibit TV-2 to Mr. Thierry's Direct Testimony (HSPM).

¹² TIAA also owns over █████% of AxInfra, meaning that TIAA has claim to about █████% of the cash flow from
WETT. AxInfra Response to TIEC 1-1 (HSPM).

¹³ AxInfra Responses to TIEC 7-1 and TIEC 7-2 (HSPM).

1 [REDACTED] of new debt at WETT Holdings and [REDACTED] at Hotspur SPV LLC.¹⁴ Post-
2 closing, there will be approximately \$ [REDACTED] in debt in WETT's consolidated capital
3 structure—i.e., debt well in excess of rate base.

4 Purchasers will be using \$ [REDACTED]¹⁵ of equity, meaning there will be slightly
5 more than [REDACTED] % debt in the post-closing consolidated entities *if you treat the premium paid*
6 *to Brookfield and PSP (the "goodwill") as "equity."* While Applicants would have the
7 Commission believe the resulting [REDACTED] % debt capitalization is an improvement over the [REDACTED]
8 [REDACTED] % leverage carried by the current owners, the reality is that WETT's limited existing
9 asset portfolio will be supporting approximately \$ [REDACTED] in debt under the Proposed
10 Transaction, as compared to approximately \$ [REDACTED] pre-closing on an apples-to-
11 apples basis.¹⁶

12 Q. **WHAT ARE THE SOURCES AND USES OF FUNDS FOR THE PROPOSED
13 TRANSACTION?**

14 A. I show them in the figure below:

¹⁴ AxInfra Response to TIEC 7-1 and TIEC 7-2 (HSPM).

¹⁵ AxInfra Response to TIEC 7-2 (HSPM).

¹⁶ WETT and WETT Holdings had outstanding debt of ~ [REDACTED] million in 2019 and was forecast to have outstanding debt of \$ [REDACTED] million in 2020 under current ownership. AxInfra response to TIEC 1-8, Attachment 1 at page 139 (HSPM). Also, AxInfra's Responses to TIEC 7-1 and 7-2 (HSPM) show \$ [REDACTED] million of debt and \$ [REDACTED] drawn on the revolver at WETT, and [REDACTED] of floating rate notes and \$ [REDACTED] of other debt at WETT Holdings, for a total of \$ [REDACTED] in debt immediately prior to the Proposed Transaction.

1
2

Figure CSG-1
Sources and Uses of Funds¹⁷

3



- 4 **Q. WHAT DO THE SOURCES AND USES OF FUNDS SHOW?**
- 5 A. It shows that of the \$ [REDACTED] being raised (\$ [REDACTED] of equity and \$ [REDACTED]
6 of debt), \$ [REDACTED] is being paid for the equity of WETT, while \$ [REDACTED] is used
7 to pay down existing debt. This demonstrates that the Proposed Transaction would add
8 \$ [REDACTED] in new debt to WETT/WETT Holdings' already highly leveraged
9 consolidated capital structure. That additional debt will be supported solely by WETT's
10 cash flow
- 11 **Q. HAVE YOU INVESTIGATED WHETHER ANY OF THE ENTITIES INVOLVED
12 IN THIS PROCEEDING ACTUALLY PAY FEDERAL INCOME TAXES?**
- 13 A. I am not addressing that issue in this case. As explained below, WETT has low ongoing
14 demands for capital, and is not expected to need ongoing access to capital markets, unlike
15 utilities in prior STM transactions such as Ovation's proposed takeover of Oncor. Due to

¹⁷ Axunia Response to TIEC 7-1 (HSPM).

1 this distinction, I believe the Commission can wait until WETT’s next rate case to address
2 the proper level of federal income taxes in WETT’s rates.

3 **B. REVIEW OF THE PURCHASERS AND THEIR CURRENT AND PRIOR**
4 **BUSINESS ACTIVITIES**

5 **Q. PLEASE DESCRIBE PURCHASER AXINFRA.**

6 A. AxInfra is an open-ended investment fund whose General Partner is Axium US Partner
7 LLC (“Axium US”). Axium US is ultimately owned by Axium Infrastructure, Inc.
8 (“Axium”), a Canadian a privately owned corporation. AxInfra had █ significant direct
9 or indirect investors (as of 3/3/2020).¹⁸ Most of these investors are institutional investors
10 such as pension funds and insurance companies.¹⁹ AxInfra owns over 130 infrastructure
11 projects, including solar and wind generation.²⁰

12 **Q. PLEASE DESCRIBE THE OWNERSHIP AND LEADERSHIP OF AXIUM US**
13 **AND ITS PARENT, AXIUM.**

14 A. Much of Axium’s executive management is Canadian, with expertise at Canadian utilities
15 and engineering firms—particularly SNC-Lavalin. The CEO, COO, and General Counsel
16 of Axium all worked at SNC-Lavalin, with the General Counsel working as Senior VP of
17 Legal Affairs at SNC-Lavalin through 2016.²¹

18 Mr. Vandal, who is the lead witness for the Purchasers, is the President of Axium
19 US—not Axium the parent company. The parent company is privately owned, almost
20 exclusively by its executives.²² Pierre Anctil is the President and CEO of Axium and owns
21 more than █% of the company.²³ Mr. Anctil was previously the General Manager of the
22 Quebec Liberal Party and the Chief of Staff to the Premier of Quebec in the 1990s.²⁴ He

¹⁸ AxInfra Response to TIEC 1-1 (HSPM).

¹⁹ *Id*

²⁰ <https://www.axiuminfra.com/portfolio-assets/?lang=en>.

²¹ <https://www.axiuminfra.com/team/?lang=en>

²² AxInfra Response to TIEC 1-6 (HSPM).

²³ AxInfra Response to TIEC 8-1 (HSPM).

²⁴ See biography for Mr. Anctil posted to CFA (Chartered Financial Analysts) Montreal website, available at: <https://www.cfamontreal.org/static/uploaded/Files/Conférenciers/2015-2016/16-03-22-Bio-Pierre-Anctil-EN.pdf>.

1 subsequently joined an engineering firm that merged with SNC-Lavalin, and he became an
2 Executive Vice President and a member of the Office of the President at SNC-Lavalin.²⁵
3 He left SNC-Lavalin and founded Axium Infrastructure, Inc. in 2008.²⁶

4 **Q. DID YOU FIND ANYTHING CONCERNING WHILE RESEARCHING MR.
5 ANCTIL'S BACKGROUND?**

6 A. Yes. According to news reports, it appears that he was involved in and aware of illegal
7 payments made by SNC-Lavalin to political parties and officials in Quebec in 2005. A
8 SNC-Lavalin official reportedly testified to an anti-corruption commission that Mr. Anctil
9 provided him an envelope with a six-figure amount in cash to give to a fundraiser for a
10 local political party.²⁷ According to news coverage, affidavits in the case also indicated
11 that funds were provided to political parties using SNC-Lavalin employees as strawman
12 donors, and the employees were then reimbursed by the company.²⁸ In a 2015 affidavit
13 that is publicly available, Mr. Anctil did not deny these reports, and stated that:

14 The events of 2005 relating to the funding of Union Montreal have
15 triggered a reflection on my part which led to my decision to leave
16 SNC-Lavalin. I waited until I finished my tenth year with the
17 company to benefit from the excess portion of my retirement fund,
18 an appreciable amount to which I would not have been entitled if I
19 had left before 2007. It was a tough decision. I had worked in two
20 fields during my career: politics, for a few years, and engineering
21 consulting. I didn't want to go back to politics, assuming it would
22 have been possible. I also did not want to work in consulting
23 engineering, having drawn the conclusions that I would be exposed
24 to the same practices elsewhere in large law firms consulting
25 engineering. I had three school-age children and I was not
26 independent of Fortune. I was leaving with no known destination. In
27 this context, my departure [from] a very remunerative job at SNC-
28 Lavalin, mainly for moral reasons, in itself constitutes confirmation
29 of my version of the facts. I have been forced to accept the

²⁵ *Id.*

²⁶ *Id.*

²⁷ <https://montreal.ctvnews.ca/snc-lavalin-executive-admits-to-over-1-million-in-illegal-political-donations-1.11195302>.

²⁸ <https://montrealgazette.com/news/local-news/new-portions-of-affidavit-point-to-illegal-political-financing-by-snc-lavalin/>.

1 continuation of political finance practices which were underway but
2 I have always opposed any new initiative by that nature.²⁹

3 Note that Mr. Anctil “ [REDACTED]
4 [REDACTED] ³⁰

5 **Q. WAS CORRUPTION AT SNC-LAVALIN LIMITED TO QUEBEC?**

6 A. It appears that corrupt practices occurred throughout SNC-Lavalin’s worldwide operations.
7 In 2013, the World Bank announced the debarment of SNC-Lavalin Inc. and over 100 of
8 its affiliates for a period of ten years due to the payment of bribes and misrepresentations
9 on World Bank projects.³¹ News reports indicate that SNC-Lavalin executives were also
10 convicted of fraud and other charges related to contracts in Libya.³² A former SNC-Lavalin
11 executive reportedly stated in a lawsuit that:

12 SNC-Lavalin created a “corporate culture where it was common
13 practice to do everything that was necessary including the payment
14 of ‘commissions’ and other benefits to obtain contracts, including in
15 Libya.” SNC-Lavalin’s top level executives, he goes on to claim,
16 “had made it known to him that he had to follow their orders to
17 satisfy their expectations.” Mr. Roy states he did what he was asked
18 to do “according to the morals and the requirements” of the
19 Montreal-based company.³³

20 AxInfra reports that:
21 [REDACTED]
22 [REDACTED]

²⁹ Affidavit of Mr. Pierre Anctil (June 18, 2015), available at: <https://translate.google.com/translate?hl=en&sl=fr&u=http://meteopolitique.com/fiches/corruption/Gens-d-affaires/Pierre-Anctil/Affidavit-Pierre-Anctil-Commission-Charbonneau-288PP-3123.pdf&prev=search> (translated from French to English by Google Translate).

³⁰ AxInfra Response to TIEC 8-3 (HSPM).

³¹ <https://www.worldbank.org/en/news/press-release/2013/04/17/world-bank-debars-snc-lavalin-inc-and-its-affiliates-for-ten-years>.

³² <https://business.financialpost.com/commodities/what-snc-lavalin-admitted-funding-gadhafis-condo-decor-yacht-and-parties>.

³³ <https://www.theglobeandmail.com/report-on-business/fired-executive-sues-snc-lavalin-says-he-always-acted-on-orders/article8582714/>.

1 [REDACTED]
2 [REDACTED]
3 [REDACTED]
4 [REDACTED]
5 [REDACTED] ... [REDACTED]
6 [REDACTED]
7 [REDACTED]
8 [REDACTED]
9 [REDACTED]
10 [REDACTED]

11 Q. HAS SNC-LAVALIN BEEN IN THE NEWS LATELY?

12 A. Yes. It was recently reported that the firm settled criminal charges regarding \$48 million
13 in bribes paid to a son of Muammar Gadaffi to win business in Libya from 2001-2011.^{34,35}
14 SNC-Lavalin's lobbying for deferred prosecution of those charges and the responsive
15 actions of Canadian Prime Minister Trudeau have been a major scandal in Canadian
16 politics, leading to resignations from his cabinet and expulsions from the Liberal party.³⁶

17 Also, in 2019 Mr. Anctil's predecessor at SNC-Lavalin, Normand Morin, pled
18 guilty to two counts of contravening Canada's election finance rules in the years leading
19 up to 2011, including during the period when Mr. Anctil was an executive vice-president.
20 Morin's lawyer told the media that he felt he was a scapegoat, stating that he did not
21 understand why some were granted immunity but he was not. According to a statement
22 from his attorney:

³⁴ "SNC-Lavalin was accused of paying \$47.7 million in bribes to public officials in Libya between 2001 and 2011. SNC-Lavalin, its construction division and a subsidiary also faced one charge each of fraud and corruption for allegedly defrauding various Libyan organizations of \$129.8 million. The prosecution and defence are both recommending the \$280-million fine to be paid over five years, and that SNC-Lavalin Construction be placed on probation for three years." <https://www.rcinet.ca/en/2019/12/18/snc-lavalin-pleads-guilty-to-fraud-in-libya-case-corruption-charges-dropped/>.

³⁵ <https://www.cbc.ca/news/canada/montreal/stephane-roy-snc-lavalin-1.5025061>.

³⁶ <https://www.cbc.ca/news/politics/trudeau-wilson-raybould-attorney-general-snc-lavalin-1.5014271>.

1 [Mr. Morin] has a fairly strong sense of frustration. He doesn't
2 understand why him and not the others. According to the evidence,
3 they attribute a certain role to him but he was certainly not the person
4 who personally profited from the advantages that were perhaps
5 derived from that contribution.³⁷

6 **Q. SHOULD THE PROPOSED TRANSACTION BE REJECTED BASED ON THE**
7 **OVERLAP IN SENIOR LEADERSHIP AT AXIUM AND THE SENIOR**
8 **LEADERSHIP AT SNC-LAVALIN DURING THIS PERIOD?**

9 A. Not necessarily. Mr. Anctil states that he left SNC-Lavalin for moral reasons, albeit after
10 a period of years. It is not surprising that corruption exists related to government
11 contracting, although its pervasiveness at SNC-Lavalin does seem unusual. The
12 Commission should be aware of the history of individuals who will control a public utility
13 in Texas, and might consider that history in setting conditions for approval of the Proposed
14 Transaction. As discussed further below, if Purchasers' intend to treat their ownership as
15 a discrete project with an *option* to fund future growth, as compared to a utility with an
16 *obligation* to meet growth, different conditions may be appropriate. In particular, some
17 form of disinterested governance may be necessary in the utility model that might be
18 unnecessary in the discrete-project model.

19 **C. STRUCTURAL RISKS OF THE PROPOSED TRANSACTION**

20 **Q. PLEASE DESCRIBE THE PROPOSED POST-TRANSACTION STRUCTURE.**

21 A. If the transaction is approved, WETT will remain a wholly owned subsidiary of WETT
22 Holdings and will not have its own board of directors. There will be a three-person board
23 at WETT Holdings. Axium will appoint two members, Mr. Thierry Vandal and Mr. Paolo
24 Arbencia, and TIAA will appoint the third member, Ms. Julie Findlay.³⁸

25 **Q. HOW DO THE PURCHASERS PROPOSE THAT ANY EQUITY**
26 **REQUIREMENTS AT WETT WILL BE APPROVED AND FUNDED?**

³⁷ <https://www.cbc.ca/news/politics/election-financing-snclavalin-charbonneau-1.4984823>.

³⁸ AxInfra Response to TIEC 1-7.

1 A. Purchasers expect that WETT will be [REDACTED].³⁹ Any equity injections will need to be
2 approved by the WETT Holdings board as well as the Hotspur SPV LLC board, although
3 these boards are comprised of the same individuals.⁴⁰ Neither AxInfra nor TIAA can be
4 required to contribute any equity in excess of their original investment,⁴¹ although each
5 could be diluted if another investor wishes to make the contribution.⁴² There is a separate
6 cap of \$[REDACTED] for future capital calls. [REDACTED] were the subject
7 of negotiation between Axium and TIAA, with Axium asking TIAA:

8 [REDACTED]
9 [REDACTED]
10 [REDACTED]
11 [REDACTED]
12 [REDACTED]
13 [REDACTED]⁴³

14 TIAA responded:

15 [REDACTED]
16 [REDACTED]
17 [REDACTED]⁴⁴

18 Q. **WHAT BENEFITS DO EACH OF THE PURCHASERS RECEIVE FROM THE
19 TRANSACTIONS?**

20 A. The Purchasers will receive full ownership of WETT, meaning they will benefit from
21 WETT's dividends and possible appreciation in WETT's value. Ultimately, the premium
22 the Purchasers propose to pay for WETT is a function of AxInfra and TIAA having a lower
23 cost of capital than the return granted to WETT by the Commission. This lower cost of

³⁹AxInfra is not [REDACTED] AxInfra email to TIAA dated 11/8/2019. AxInfra Response to TIEC 2-3 (Supp) at 4 ((HSPM)).

⁴⁰ AxInfra Response to TIEC 2-4.

⁴¹ Exhibit TV-3 at Bates 165 (Public version).

⁴² AxInfra Response to TIEC 3-4.

⁴³ AxInfra email to TIAA dated 02/6/2020. Axinfra Response to TIEC 2-3(Supp) at 179 (HSPM).

⁴⁴ TIAA email to Axium dated 02/6/2020. Axintra Response to TIEC 2-3(Supp) at 179 (HSPM).

1 capital can arise from both: (1) “back leverage,” or “double-leverage,” which means taking
2 on low-cost debt at upstream entities to fund higher-return equity at the utility as discussed
3 above, and (2) simply having a lower equity return requirement than the ROE granted by
4 the Commission. The purchasers appear to be taking advantage of both approaches. I have
5 included as Exhibit CSG-3 a calculation from the Barclay’s investment bank showing the
6 derivation of the risk-adjusted cost of equity capital for other possible bidders for WETT
7 ranging from █% to █% and weighted average cost of capital of █%.⁴⁵ There is
8 also discussion that TIAA is expecting an █% return.⁴⁶ With regard to back-leverage, as
9 discussed above leverage will be significantly higher than the 54% in the capital structure
10 of WETT.

11 **Q. WHAT ARE THE RISKS TO RATEPAYERS FROM THE PROPOSED
12 TRANSACTION?**

- 13 A. Based on my review of the application and discovery responses, the risks come in several
14 forms.

15 First, the Proposed Transaction adds to the already high level of financial risk
16 because of the additional back-leverage, as well as the Purchasers’ stated intention to
17 dividend all available cash upstream:

18 The distribution policy of the Company shall be based on the
19 following principles: (a) to distribute (and cause the Group
20 Companies to distribute) the maximum amount of cash possible at
21 the earliest time possible; (b) to ensure compliance with all
22 applicable laws; and (c) taking into account that by making
23 distributions, WETT shall never be placed in the position of not
24 being capable of carrying out its current obligations under any
25 Project document or any other relevant documents...⁴⁷

26 The additional upstream leverage will be supported entirely by dividends from WETT,
27 which explains the proposed policy to deliver the most cash in the fastest time period,

⁴⁵ AxInfra Response to TIEC 1-8 Attachment 1 at 170.

⁴⁶ █ January 18, 2020 email from AxInfra to TIAA. AxInfra Response to TIEC 2-3 Attachment (Supp) at 168 (HSPM).

⁴⁷ Exhibit TV-3 at 165 (Public version).

1 consistent with law and *current, but not future* project obligations. Note also that the
2 obligations are not the utility's obligations under PURA, but committed financial
3 obligations for projects. Credit ratings agencies consider such debt and dividend policies
4 in their evaluations, and the existing owners' financing plans at the intermediate entities
5 above WETT have caused concern, as discussed below.

6 As a result, the Applicants' financial ring-fence protections for WETT are
7 inadequate. Despite the risks described above, the Applicants offer ring-fencing provisions
8 that are more limited, (e.g., no dividend restrictions, unlimited back leverage) and more
9 vague than those approved in prior STM proceedings (such as Oncor/Sempra,
10 Sempra/Sharyland, or El Paso/IIF2), which involved similar or even lesser financial and
11 governance risk.

12 Second, Purchasers have structured the Proposed Transaction in a manner that
13 depends on WETT being self-funding, which may create obstacles to accessing capital
14 markets if the need should ever arise.

15 Third, Applicants have not quantified any tangible benefits of the Proposed
16 Transaction, which has been required in prior sale/transfer/merger cases.

17 Fourth, some of the proposed regulatory commitments should go further in limiting
18 the intermediate holding companies to enter into other speculative lines of business, and
19 the LLC agreements need to be modified to reflect that the Applicants must abide by the
20 Commission's order in this case.

1 **Q. SHOULD THE PROPOSED TRANSACTION BE APPROVED?**

2 A. Not as proposed. However, if certain risks associated with the transaction are removed
3 and/or mitigated, I believe that the Proposed Transactions could be found in the public
4 interest. Before examining the risks associated with the Proposed Transactions and the
5 necessary conditions that should be adopted for a public interest determination, it is
6 necessary to discuss the current level of risk and return at WETT and WETT Holdings.

7 *i. Existing Back-Leverage Practices at WETT and WETT Holdings*

8 **Q. YOU NOTED THAT THE PURCHASE PRICE IS DRIVEN BY BACK-
9 LEVERAGE AND HIGH REGULATORY RETURNS ON EQUITY. ARE THOSE
10 PRESENT IN THE CURRENT STRUCTURE?**

11 A. Yes. As noted above, WETT and WETT Holdings' consolidated debt is at least █% and
12 is projected to remain between █% into the future. WETT also has earned █
13 █ returns on equity (ROEs) in excess of the level currently used
14 to set rates. As a result, back-leveraging concerns are not created entirely by the proposed
15 transaction but exist at some level today.

16 **Q. WHAT RETURNS ON EQUITY HAS WETT EARNED?**

17 A. The table below shows the ROEs for the last three years available:⁴⁸

18 **Figure CSG-2**

19 **Earned ROEs**

Year	ROE
2016	11.25%
2017	12.43%
2018	13.46%

⁴⁸ WETT Response to TIEC 6-1.

1 **Q. WHAT RETURNS ON EQUITY DO THE PURCHASERS EXPECT WETT TO**
2 **EARN?**

3 A. In a due diligence presentation, Axium's consultant ██████████ projected
4 WETT will earn ROEs of ██████████ in 2019-2021, respectively.⁴⁹ CRA
5 stated it believes that even at that level the ‘██████████
6 ██████████.’⁵⁰ Similarly, in a due diligence question on its forecast, Brookfield commented
7 that ‘██████████
8 ██████████
9 ██████████’⁵¹

10 **Q. YOU NOTED EARLIER THAT WETT AND WETT HOLDINGS RECENTLY**
11 **CHANGED RATINGS AGENCIES. PLEASE DESCRIBE WHAT HAPPENED.**

12 A. Until early 2019, Moody's rated WETT and WETT Holdings under its metrics for
13 corporate utilities. Because of the high level of consolidated debt and recent rate
14 adjustments, Moody's rated WETT Holdings' debt at the lowest level of investment grade,
15 with a negative outlook. WETT and its owners were concerned that both WETT and
16 WETT Holdings could be downgraded, with WETT Holdings dropping below investment
17 grade. ██████████
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24 **Q. DID WETT MOVE FORWARD TO HAVE KBRA EVALUATE ITS DEBT?**

25 A. Yes. WETT worked with KBRA for several months, and eventually agreed to have KBRA
26 evaluate its debt as “project finance” debt rather than under a corporate methodology.

⁴⁹ AxInfra Response to TIEC 1-8, Attachment 1 at 23 (HSPM).

⁵⁰ *Id.*

⁵¹ Bates page 064957 (Confidential).

⁵² Bates page 067169 (HSPM).

1 Compared to a corporate rating from Moody's, a project financing methodology allows
2 WETT to carry more debt at the same rating for a number of reasons. WETT's only major
3 asset, the CREZ line, is a discrete facility with limited reinvestment needs. In addition, as
4 a regulated transmission-only utility, WETT has a high certainty of revenue from credit-
5 worthy counterparties (distribution utilities in ERCOT), a limited ability of management
6 to change the nature of the business, and loan covenants requiring minimum debt service
7 coverage. These factors are consistent in many ways with a project finance vehicle.

8 **Q. DOES WETT AGREE THAT IT IS APPROPRIATE FOR IT TO BE RATED
9 USING A PROJECT FINANCE METHODOLOGY?**

10 A. Yes. WETT explains why its operations are similar to a project-financed entity as follows:

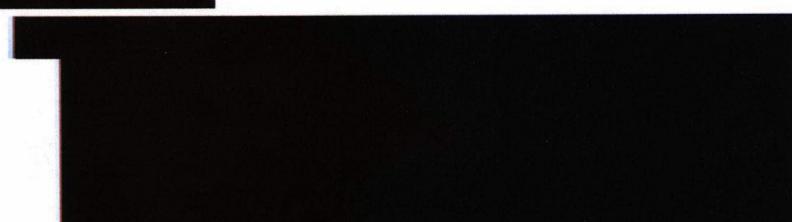
11 WETT is a single operating company operating under a single
12 holding company with contractual and governance limitations in
13 place limiting leveraging that may be incurred and preventing
14 expansion into other business lines or activities. In addition, WETT
15 owns and operates territory-defined, transmission-only facilities and
16 its ability to expand is limited by these existing assets and applicable
17 rules and laws.⁵²

18 WETT provided the following reasons directly to Kroll:

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⁵²WETT Responses to TIEC 7-2 and 7-3 (HSPM).

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33 Q. DID WETT'S ADVISOR, SOCIETE GENERAL, ALSO PROVIDE REASONS
34 WHY WETT LOOKS LIKE A PROJECT FINANCE VEHICLE?

35 A. Yes. It stated in correspondence to WETT that:

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* WETT Response to TIEC 7-5, Bates page WETT 068608 (HSPM).

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19 **Q. HOW MUCH DID WETT SAVE FOR ITS OWNERS BY SWITCHING TO KROLL
20 FROM MOODYS TO AVOID A RATINGS DOWNGRADE?**

21 A. I have attached WETT's internal memo on the subject as Exhibit CSG-4. Therein, WETT
22 projects that maintaining its current leverage and dividend policy but switching ratings
23 agencies would save [REDACTED] relative to the option of de-leveraging necessary to
24 maintain an investment grade rating. WETT and WETT Holdings were concerned about a
25 shadow rating from Moody's even if the switch occurred. As a result, as described in detail
26 below, they moved to terminate the relationship with Moody's and took actions to try and
27 avoid a below-investment grade shadow rating, including [REDACTED]
28 [REDACTED]

29 **Q. DID WETT'S INTERNAL MEMO FOCUS ON ANY RISKS TO THE UTILITY?**

30 A. Yes. In the figure below, I excerpt the summary from the memo:

⁵⁵ WETT Response to TIEC 7-5, Bates page WETT 068607 (HSPM).

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Figure CSG-3
Excerpt from WETT Memo on Ratings Agency Analysis⁵⁶

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⁵⁶Bates Page WETT 067228 (highlighting added) (HSPM).

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7 Q. UNDER THE OPTION THAT WETT ULTIMATELY TOOK WAS IT LIKELY
8 THAT WETT AND WETT HOLDINGS WOULD MEET THE METRICS
9 REQUIRED TO MAINTAIN THEIR RESPECTIVE RATINGS?

10 A. No. WETT's owners ultimately decided to take Option 1. The memo notes:

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16 [REDACTED] ⁵⁷

17 Q. DID WETT DROP MOODY'S IMMEDIATELY AFTER LEARNING THAT
18 KBRA WOULD RATE THEM BBB?

19 A. No. In January, Brookfield was initially [REDACTED],⁵⁸ and noted
20 that KBRA had [REDACTED]
21 [REDACTED].⁵⁹ The owners decided on the following
22 strategy:
23
24
25

[REDACTED]

⁵⁷ February 25, 2019 WETT Memorandum at 4, attached as Exhibit CSG-4 (HSPM).

⁵⁸ Bates Page WETT 068636 (Confidential).

⁵⁹ Bates page WETT 068839 (HSPM).

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[REDACTED]⁶⁰

22 Q. HOW DID “[REDACTED]” TURN OUT?

23 A. Apparently WETT and its owners ultimately feared that a wipeout was ahead, and that
24 Moody’s would downgrade WETT Holdings. In a late January 2019 email from Societe
25 General to WETT regarding comments on Moody’s forthcoming release, Societe General
26 suggested comments to Moody’s draft press release on WETT Holdings:

⁶⁰ Bates Page WETT 068637 (HSPM).

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3 **Q. WHEN WAS THE DECISION TO DROP MOODY'S AND HAVE KBRA AS THE**
4 **ONLY RATINGS AGENCY MADE?**

5 A. In late February, 2019.

6 **Q. HOW DID WETT EXECUTIVES REACT TO THE OWNERS' DECISION TO**
7 **WITHDRAW FROM MOODY'S AND HAVE KBRA RATE THE DEBT USING A**
8 **PROJECT FINANCE METHODOLOGY?**

9 A. Discovery indicates that they were pleased with the outcome, and that WETT's CFO
10 “[REDACTED]” when informed of the owners' decision.⁶²

11 **Q. DID MOODY'S ELECT TO SHADOW RATE WETT AND WETT HOLDINGS AS**
12 **THEY FEARED?**

13 A. Yes, but this decision was announced in August at the same time as the owners were
14 moving to sell their interest in WETT. Societe General advised WETT to not “[REDACTED]

15 [REDACTED]
16 [REDACTED].”⁶³

17 **Q. WHAT ARE THE IMPLICATIONS OF THE SWITCH TO KBRA?**

18 A. Having a BBB rating from KBRA instead of a likely Ba1 rating from Moody's opens up
19 more debt capacity and makes WETT more attractive for certain debt investors. For
20 insurance companies, for instance, a non-investment grade rating on their loans means they
21 have to carry more capital on their balance sheet. More to the point of the proposed
22 transaction, it allows a purchaser to use more back-leverage. As Brookfield notes:

23 [REDACTED]
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26

⁶¹ Bates page WETT 068644 (emphases added) (HSPM).

⁶² Bates page WETT 068734 (HSPM).

⁶³ Bates Page WETT 068710.

1
2 [REDACTED].⁶⁴

3 **Q. WHAT CAN BE LEARNED FROM THIS COURSE OF EVENTS?**

- 4 A. There is a strong incentive for owners to maintain the benefits of back-leverage at upstream
5 parents. In this example, in order to [REDACTED]

6 [REDACTED]
7 [REDACTED] As long as the regulator
8 uses a higher amount of equity in the capital structure used to set rates, utility owners will
9 have an incentive to layer additional debt immediately above the utility and shop for the
10 most lenient ratings agency. WETT's example is particularly stark because it is basically
11 a single-asset utility today, providing less opportunity to hide what its owners are doing
12 with back-leverage.

13 *ii. Incremental Risks of the Proposed Transaction*

14 **Q. ARE PURCHASERS ADDING MORE DEBT ABOVE WETT SUPPORTED
15 SOLELY BY WETT'S CASH FLOW?**

- 16 A. Yes, they are adding [REDACTED] more debt.

17 **Q. WILL THE PROPOSED TRANSACTION ALLEVIATE ANY OF THE
18 CONCERNS OVER BACK-LEVERAGE?**

- 19 A. No. AxInfra and TIAA intend to maintain a high level of consolidated debt among WETT,
20 WETT Holdings, and Hotspur SPV LLC, and the various company LLC agreements
21 require [REDACTED]. The net result
22 is more financial risk than the situation today.

23 **Q. WHAT CAN REGULATORS DO ABOUT THE DOUBLE-LEVERAGE ISSUES
24 RAISED ABOVE?**

- 25 A. In prior STM cases, the Commission limited the upstream debt and "back-leveraging"
26 tactics of utility holding companies by prohibiting any new debt from being added at the
27 parent level, (2) requiring existing parent-level debt to be retired by a date certain, and (3)

⁶⁴ Bates page WETT 064957 (Confidential).

1 imposing a dividend stopper triggered by a ratings downgrade from Moody, S&P or Fitch.
2 The dividend stopper (along with other requirements) ensured that utilities with ongoing
3 capital investment requirements would have adequate retained earnings to fund necessary
4 investments, and ensured that ratepayers would get the more of the benefit of the credit
5 quality they are paying for through their regulated rates.

6 However, WETT's characterization of its business as more akin to a project finance
7 vehicle raises important issues. For instance, should the regulatory capital structures for
8 transmission-only utilities structured like WETT reflect that they are financed with high
9 leverage due to their project finance characteristics, rather than with the lower leverage
10 associated with T&D utilities? If transmission-only utilities with little ongoing investment
11 needs can maintain higher levels of debt than traditional utilities while retaining
12 creditworthiness, then their regulatory capital structures should match that reality.
13 Adjusting WETT's regulated capital structure to reflect its nature as a project finance-like
14 company should not interfere with its ability to continue to provide service. WETT and
15 Purchasers appear to agree that WETT is a limited-asset company with limited growth
16 prospects or need for additional capital, which is similar to a discrete entity that is project
17 financed. The offering document for Project Hotspur stated that WETT is a [REDACTED]

18 [REDACTED]⁶⁵ Indeed, the actual
19 maintenance capital expenditures through 2018 have been less than [REDACTED] million annually
20 and the projection through 2028 averages only [REDACTED] million annually.⁶⁶ These expenditures
21 can be easily funded through existing cash flow. Under this scenario, however, customers
22 should not be funding a capital structure sufficient to support ongoing investments at the
23 level of a retail electric utility. In addition, other safeguards may be necessary to ensure
24 that a new transmission line can be timely and reliably constructed if it interconnects to
25 one of WETT's existing endpoints, and that WETT can fund ongoing maintenance and
26 repair of its existing assets.

⁶⁵ "Project Hotspur Confidential Information Memorandum, September 2019," page 81 of Attachment 1 to AxInfra's Response to TIEC 1-S (HSPM).

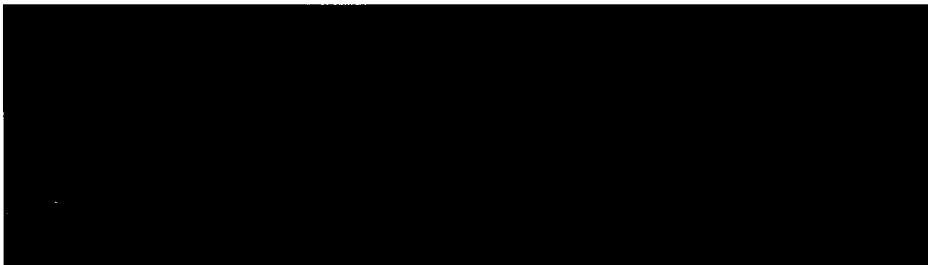
⁶⁶ *Id.* at page 119.

1 **Q. CAN THE COMMISSION RESET CAPITAL STRUCTURE IN THIS CASE?**

2 A. While I am not an attorney, my understanding is that the regulatory capital structure for
3 WETT's rates should be set in a rate case, not a STM case. The Commission should,
4 however, condition any approval of this transaction on ensuring that the utility and its
5 customers are protected prior to the next rate case.

6 **Q. HAVE WETT'S OWNERS IDENTIFIED LEVERS OTHER THAN BACK-**
7 **LEVERAGE THAT LEAD TO HIGHER EQUITY VALUE?**

8 A. Apparently so. In an email from the Sr. Vice President of Finance Infrastructure at
9 Brookfield to the investment banker marketing the sale of WETT, Brookfield notes:



15 ⁶⁷

16 **Q. DOES WETT AGREE WITH ITS OWNER?**

17 A. It appears to depend on who is asking. Bringing to mind the Racehorse Haynes strategy
18 for defending a dog bite case,⁶⁸ WETT now contends in discovery that it doesn't agree its
19 property taxes are set higher than actuals, and that in any case, discoverability issues
20 [redacted] and not to Commission proceedings.⁶⁹

21 **Q. GIVEN THIS DISCUSSION, PLEASE SUMMARIZE THE RISKS INHERENT TO**
22 **THE PROPOSED TRANSACTION.**

23 A. As discussed above, there are a number of issues:

⁶⁷ Bates page WETT 064198 (Confidential).

⁶⁸ At an American Bar Association seminar in New York in the late 1970s, Haynes allegedly explained how to plead in the alternative: "Say you sue me because you claim my dog bit you. Well now, this is my defense: My dog doesn't bite. And second, in the alternative, my dog was tied up that night. And third, I don't believe you really got bit. And fourth, I don't have a dog." See https://www.washingtonpost.com/national/richard-racehorse-haynes-colorful-texas-lawyer-who-won-high-profile-murder-cases-dies-at-90/2017/04/29/8166764c-2cea-11e7-be51-b33e6ff7faee_story.html.

⁶⁹ WETT Response to TIEC 6-3 (Confidential).

- 1 1. The Proposed Transaction does not alleviate financial risk for WETT because it
2 adds [REDACTED] million to an existing debt load of approximately [REDACTED] million at
3 WETT's immediate parent WETT Holdings,⁷⁰ as well as an additional [REDACTED] million
4 in debt at WETT's indirect parent Hotspur SPV LLC. The resulting debt load of
5 approximately [REDACTED] will be entirely dependent on dividends from WETT.
6 The structure of the proposed transaction could also allow AxInfra and TIAA to
7 place additional debt in the ownership chain in the future. Leverage above a utility
8 that is largely or solely financed by utility dividends can add risk to and possibly
9 increase costs at the utility. If WETT's rate base can support that amount of debt,
10 then customers should at least benefit from a lower cost capital, rather than bearing
11 the risk of the additional debt for the benefit of WETT's upstream owners.
- 12 2. The Applicants' proposed ring-fencing provisions are insufficient, particularly with
13 regard to dividends. The proposed LLC agreement requires that the maximum
14 amount of cash be distributed to owners as early as possible at all times, and that
15 the AxInfra and TIAA are not required to put any new capital into the utility to fund
16 future growth. Moody's found the existing dividend policy to be [REDACTED]. That
17 policy will not change under the Proposed Transaction.
- 18 3. The proposed ring-fencing provisions are vaguer than provisions previously
19 approved by the Commission, and omit several important matters.
- 20 4. The Hotspur SPV LLC agreement allows that company to engage in speculative
21 trading and to violate commitments to the Commission if [REDACTED].
- 22 5. WETT will not be subject to disinterested governance, nor is there a requirement
23 in the parent LLC agreements for the boards of directors in charge of WETT to act
24 in the best interest of the utility.

⁷⁰ While adding [REDACTED] in debt at WETT Holdings, [REDACTED] million in floating rate debt will be redeemed at closing.

1 **Q. HAVE APPLICANTS DEMONSTRATED ANY TANGIBLE AND
2 QUANTIFIABLE BENEFITS FROM THE PROPOSED TRANSACTION?**

3 A. No.

4 **Q. DOES WETT CLAIM THAT ANY TANGIBLE AND QUANTIFIABLE BENEFITS
5 EXIST?**

6 A. WETT lists a few benefits but admits that it has not quantified any.⁷¹ The only benefit that
7 could be quantifiable is that WETT Holdings will have three fewer board members, and it
8 is possible all board members will reside in the same city, so travel costs might be lower.
9 The total affiliate costs for the WETT Holdings board was approximately \$380 thousand
10 annually, which includes both compensation and travel costs.

11 Another benefit WETT cites is diversity in utility ownership. However, that is not
12 a benefit of this transaction but rather compares the existing situation to a different
13 transaction that would see WETT purchased by an existing utility. In any case, it is unclear
14 if there is any net benefit to WETT remaining independent from an existing utility, as there
15 would very likely be savings associated with the WETT CREZ line being owned and
16 maintained by an existing utility (similar to the savings that resulted from Oncor purchasing
17 much of Sharyland's transmission system).

18 The remaining benefits cited by WETT (AxInfra not currently having competitive
19 affiliates in Texas, WETT's various regulatory commitments) are not tangible and may not
20 even be benefits at all.

21 **Q. WILL THE PROPOSED TRANSACTION ALLEVIATE ANY OF THE
22 CONCERNS OVER BACK-LEVERAGE YOU PREVIOUSLY DISCUSSED?**

23 A. No; in fact, the Proposed Transaction will exacerbate these issues. AxInfra and TIAA
24 intend to add to the already high level of consolidated debt at WETT and WETT Holdings,
25 and the various company LLC agreements require all available cash to be distributed to the
26 owners as soon as possible. That is no different from the situation today, where the owners
27 seek to maximize leverage at WETT and WETT Holdings while still retaining an
28 investment grade rating and distributing as much cash as possible. The only difference is

⁷¹ WETT Response to TIEC 3-1.

1 that there will be even more debt dependent on WETT's revenues after the Proposed
2 Transaction.

3 **Q. HOW DOES AXINFRA JUSTIFY ADDING MORE DEBT TO BE SERVICED BY**
4 **WETT'S TRANSMISSION ASSET?**

5 A. AxInfra argues that since the debt capacity is available under their chosen credit rating
6 agency's analysis, it will use it. It states: "AxInfra examined the existing debt structure
7 above WETT and determined that there was capacity for an amount of additional debt to
8 be incurred to support AxInfra's acquisition of WETT."⁷²

9 **Q. DOES AXIUM INTEND TO PAY OFF THE DEBT TAKEN ON AT WETT**
10 **HOLDINGS LLC, SUCH THAT THE HIGH LEVERAGE IS ONLY**
11 **TEMPORARY?**

12 A. There is no indication that the back-leverage will be removed.

13 **Q. DOES THE CONTINUATION OF BACK-LEVERAGE MEAN THAT A RATINGS**
14 **AGENCY WILL ASSIGN BELOW-INVESTMENT-GRADE CREDIT RATINGS**
15 **TO WETT OR WETT HOLDINGS FOLLOWING THE PROPOSED**
16 **TRANSACTION?**

17 A. Not necessarily. A robust ring-fence will help protect WETT regardless of what ratings
18 agency the owners of WETT choose. Purchasers are planning to use yet another agency to
19 rate WETT and WETT Holdings going forward, DRBS Morningstar,⁷³ instead of KBRA
20 or any of the larger three agencies.⁷⁴ If one of the major rating agencies is not rating WETT
21 Holdings, [REDACTED], and, in fact, DRBS
22 has indicated that it will rate WETT at [REDACTED] and WETT Holdings at [REDACTED]. DRBS notes that
23 the cash flow to debt and cash flow to interest ratios at WETT Holdings will be [REDACTED].⁷⁵
24 DRBS's rationale for its ratings is attached as Exhibit CSG-5 and includes a "[REDACTED]
25 [REDACTED]

⁷² AxInfra's Supplemental Response to TIEC 6-1.

⁷³ DRBS, a Canadian ratings agency founded in 1976, was recently acquired by Morningstar.

⁷⁴ AxInfra Response to TIEC 7-3.

⁷⁵ Attachment to AxInfra Response to TIEC 7-3 (HSPM). Attached as Exhibit CSG-5.

1
2

3 **Q. DOES THE APPLICANTS' PROPOSED RING-FENCE PREVENT THE**
4 **PURCHASERS FROM ADDING MORE DEBT ABOVE WETT AFTER**
5 **CLOSING?**

6 A. No, none of Applicants' proposed commitments address that issue.

7 **Q. DOES THIS RAISE RISK TO THE UTILITY AND RATEPAYERS?**

8 A. Yes. Increased leverage will support the Purchasers' equity return, and is not necessary to
9 support WETT's capital needs or financial integrity. WETT will need to maximize cash
10 distributions to support this increasing debt level. I recognize that as WETT is currently
11 organized, it is likely it will not have a need for outside equity financing at this time.
12 However, conditions in the future could be such that a sizable new transmission line needs
13 to connect to one of WETT's endpoints. If the cost of such a project exceeds internal cash
14 flow, it is unclear whether WETT would have the means to fund its portion of the line
15 given the proposed financing for this transaction and the Purchasers' refusal to guarantee
16 additional capital injections.

17 **Q. ARE THERE OTHER RISKS IN FUNDING WETT'S NEEDS INHERENT TO THE**
18 **PROPOSED TRANSACTION?**

19 A. Yes. Hotspur SPV LLC's structure is such that the founding partners cannot be forced to
20 make any further investments.⁷⁶ If internal cash flow is inadequate, future funding of
21 WETT projects will depend on whether new investors can be recruited, the needs of the
22 existing owners to extract or expand capital, and any alternate uses of capital among
23 AxInfra's and TIAA's portfolios.

⁷⁶ "Notwithstanding anything to the contrary in the Agreement, no initial Member shall be obligated to make any Additional Capital Contribution or to lend any amount to the Company except with such initial Member's consent." Exhibit TV-3 at Bates 165 (Public Version) and Bates 162 (HSPM version).

1 **Q. CAN HOTSPUR SPV LLC OR AXINFRA SIMPLY ADD NEW MEMBERS IF THE**
2 **EXISTING MEMBERS DO NOT WANT TO FUND PROJECTS, THUS**
3 **ENSURING BROAD ACCESS TO THE MARKET?**

4 A. In theory, yes. But that ability is a function of whether new investors will be attracted to a
5 relatively new fund and its management.

6 **Q. DO THE PURCHASERS PROPOSE A DIVIDEND RESTRICTION?**

7 A. No.

8 **Q. HAS THE COMMISSION APPROVED DIVIDEND RESTRICTIONS IN**
9 **PREVIOUS STMS?**

10 A. Yes. In the Oncor/Sempra and El Paso/IIF2 STMs, the Commission approved a dividend
11 “stopper” if the utility’s corporate issuer rating fell below BBB. Additionally, the
12 Oncor/Sempra order empowered a majority of the disinterested directors to suspend
13 dividends and retain cash if they believed that was in the best interest of the utility.
14 Similarly, the final order in the Sharyland STM included a provision that allows the
15 Commission to suspend dividends under certain circumstances, even though the remaining
16 Sharyland utility is not rated and does not have disinterested directors.⁷⁷ In each case,
17 dividends can (or must) be withheld to fund cash needs at the utility beyond what the
18 Applicants propose.

19 **Q. ARE THERE OTHER AREAS WHERE THE APPLICANTS’ PROPOSALS ARE**
20 **VAGUE, OMIT IMPORTANT ISSUES, OR RAISE CONCERNS?**

21 A. Yes. Applicants also omit commitments relating to affiliates and Commission authority
22 that are usual and necessary parts of a STM order. Nor are there any commitments related
23 to disinterested board members to ensure actions are taken in the best interest of the utility.
24 Further, the Hotspur SPV LLC agreement allows the entities to enter into speculative
25 trading and to violate regulatory commitments to the Commission [REDACTED]
26 [REDACTED] ⁷⁸

⁷⁷ The Sharyland and El Paso STMs were settled and each explicitly states it does not have precedential value.

⁷⁸ Exhibit TV-3 at 166-167, items 17 and 20. (HSPM).

1 **III. RECOMMENDED CONDITIONS TO MAKE THE PROPOSED**
2 **TRANSACTIONS IN THE PUBLIC INTEREST**

3 **Q. SHOULD THE COMMISSION APPROVE THE PROPOSED TRANSACTIONS?**

4 A. No, not without conditions to address the risks I discussed above.

5 **Q. WHAT CONDITIONS DO YOU PROPOSE?**

6 A. I have attached my comprehensive changes to the Applicants' ring-fencing proposal as
7 Exhibit CSG-6. A clean version is attached as Exhibit CSG-7. In summary, I propose the
8 following conditions to address the issues and risks presented above:

9 1. **Debt Reduction.** The Purchasers should commit to eliminating debt at the
10 immediate parent, WETT Holdings, and place the parent within the ring-fence.⁷⁹
11 This mirrors the approach the Commission has taken in many previous STMs, such
12 as Oncor and El Paso Electric. It places an extra layer of bankruptcy remoteness
13 between the utility and the leverage being taken on at the parent level under the
14 Proposed Transaction. Furthermore, I understand from prior STMs that the
15 obligations of LLC managers are a matter of contract, and can be written to require
16 them to take into account the best interests of the utility.⁸⁰ Thus, by including a
17 parent LLC in the ring-fence without debt, the directors of WETT Holdings LLC
18 can be required to make decisions according to the best interests of the utility.

19 2. **Dividend Stopper.** The Purchasers should adopt a dividend stopper that will be
20 triggered automatically if (1) the credit rating of WETT falls below BBB from a
21 major credit ratings agency, or (2) if not rated by one of the three major ratings
22 agencies, drops below a ratio of 13% for cash from operations (pre-working capital
23 adjustments)/Debt. Further, the directors of WETT Holdings should be required to
24 stop dividends if that it is in the best interest of the utility.

⁷⁹ My recommended commitments reflect that no debt will be held at WETT Holdings LLC and that the debt will be held at Hotspur SPV LLC. If Applicants wish to hold the debt at WETT Holdings LLC then it will need to create a LLC between that entity and WETT, with that LLC stepping into the shoes of WETT Holdings LLC in the proposed commitments.

⁸⁰ I am not an attorney and am not making a legal opinion. Rather, I am aware of considerable testimony by and discussion among attorneys and the Commission in the previous Oncor STM cases regarding the duties of directors of LLCs.

- 1 3. **Removing the Purchasers’ “option” to fund new growth.** If Purchasers are not
2 willing to commit to maintaining appropriate capitalization to fund timely, reliable
3 expansion of utility infrastructure in the future, then WETT should be required to
4 forego its option to build from its endpoints and the other endpoint owner should
5 construct the entire facility. Alternatively, if Purchasers are to be treated as a utility
6 with the obligation to maintain the financial ability for WETT to build from its
7 endpoints in a timely and reliable manner, then a majority disinterested board
8 should be in place at WETT Holdings to ensure appropriate capitalization and
9 financial policies for the utility.
- 10 4. **Changes to LLC Terms.** The Purchasers should commit to remove LLC language
11 that (1) allows speculative trading and (2) allows WETT Holdings or Hotspur SPV
12 LLC to [REDACTED] violate Applicants’ commitments to the Commission.
- 13 5. **Other clean-up items.** As reflected in Exhibits CSG-6 and 7, the Applicants’
14 various regulatory commitments should be refined to match the wording of similar
15 regulatory commitments in previous STM orders.
- 16 6. **Ensure Commission authority over implementation of the regulatory
17 commitments.** The Applicants should agree to commitments allowing the
18 Commission to enforce and, if necessary revisit the commitments in its order
19 approving the transaction, similar with language from prior transactions.
- 20 7. **Tangible and Quantifiable Benefits.** The Applicants’ should be required to
21 quantify the benefits associated with fewer board members at WETT Holdings and
22 lower ratings agency cost if Purchasers elect to use DBRS and give a portion of
23 these savings to customers.

24 **Q. PLEASE DISCUSS HOW THE FIRST THREE RECOMMENDED
25 COMMITMENTS ABOVE ARE INTERRELATED.**

- 26 A. It is important for the utility to be ring-fenced and separated from highly leveraged entities
27 in the ownership chain for both financial integrity and governance. While Purchasers offer
28 a commitment that the WETT board of directors will consider the best interest of WETT,
29 that commitment is not adequate. First, WETT does not have its own board. Second, in

1 previous STM's the Commission has required that owners of utilities have the duty to act
2 in the best interests of the utility, not simply "consider" the best interest of the utility as
3 Purchasers offer. Requiring WETT Holdings' directors to act in the best interest of the
4 utility is necessary to ensure that WETT meets its statutory requirements to provide for
5 reliable and economic utility service, and so that conflicts of interest do not cause the
6 directors to short-change the utility to meet the needs of highly leveraged upstream
7 ownership or the investment advisor.

8 Purchasers are knowingly placing a high amount of leverage in the chain of
9 ownership above a utility, which creates a situation that the Commission has historically
10 tried to avoid. The risks of this leveraging behavior can be mitigated by implementing a
11 ring-fence that more distinctly separates the utility from the transaction-related debt, and
12 by ensuring that the WETT Holdings board of directors is made up of directors who are
13 duty-bound to the utility, and will not prioritize servicing transaction debt or maximizing
14 returns to the equity investors. Thus, requiring no leverage at WETT's immediate parent,
15 requiring directors to act in the best interest of the utility, and creating an opportunity to
16 stop dividends if necessary are all interrelated commitments that are required to ensure that
17 WETT maintains its financial integrity and does not act in ways that would harm customers
18 to the benefit of shareholders.

19 **Q. ARE YOU PROPOSING INDEPENDENT AND DISINTERESTED DIRECTORS**
20 **AT WETT AND WETT HOLDINGS?**

21 A. Not as my primary recommendation. While I believe that disinterested board of directors
22 are an essential part of an effective ring-fence for retail electric utilities in Texas, WETT's
23 circumstances are different as a transmission-only utility with no significant growth
24 expectations. Under these facts, my main proposal is based on what I believe is Purchasers'
25 intention to treat their ownership of WETT as an entity that can self-fund its ongoing capital
26 costs. If WETT's ownership is indeed limited in that manner, I do not believe it is
27 necessary for the directors above WETT to be independent and disinterested. To ensure
28 that Purchasers do not change the nature of their ownership, I propose the Commission
29 adopt a condition that WETT forego building any new transmission facilities off of its

1 endpoints and that the other endpoint owner for any new transmission line would build the
2 entire future project.

3 In the alternative, if Purchasers want to accept the obligation to fully fund all new
4 capital needs as a typical utility, the Commission should adopt a condition requiring a
5 majority of disinterested directors at the board of WETT Holdings.

6 **Q. HAVE YOU MADE ANY OTHER CHANGES TO THE APPLICANTS'
7 PROPOSED COMMITMENTS?**

8 A. Yes. I have made changes in a number of commitments to increase specificity. I have also
9 added commitments to reflect the need for continuing Commission jurisdiction over the
10 implementation of the Proposed Transaction if it goes forward.

11 **IV. CONCLUSION**

12 **Q. PLEASE SUMMARIZE YOUR TESTIMONY.**

13 A. As proposed, the transaction is not in the public interest, but with conditions, I believe it
14 could be. The Commission should condition the transaction to:

- 15 • ensure that a robust and proven form of ring-fencing is in place to prevent
16 higher leverage at the entities above WETT from compromising WETT's
17 financial integrity;
- 18 • ensure that WETT Holding's board of directors will have a duty to act in
19 the best interests of the utility rather than prioritizing its remote financial
20 investors or their financial advisor;
- 21 • demonstrate that the Proposed Transaction will result in tangible and
22 quantifiable benefits to Texas customers; and
- 23 • remove uncertainty regarding Commission authority over the
24 implementation of the Proposed Transaction.

25 **Q. WHAT IS YOUR RECOMMENDATION?**

26 A. I recommend the Commission condition the transaction based on the conditions laid out in
27 my testimony and Exhibit CSG-7.

1 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

2 A. Yes.

PUC DOCKET NO. 50584

JOINT REPORT AND APPLICATION OF §
WIND ENERGY TRANSMISSION §
TEXAS, LLC; AXINFRA US LP; §
HOTSPUR HOLDCO 1 LLC; HOTSPUR §
HOLDCO 2 LLC; AND 730 HOTSPUR §
LLC, FOR REGULATORY APPROVALS §
PURSUANT TO PURA §§14.101, 39.262 §
AND 39.915 §

PUBLIC UTILITY COMMISSION
OF TEXAS

AFFIDAVIT OF CHARLES S. GRIFFEY

STATE OF TEXAS §
§
COUNTY OF HARRIS §

Before me, the undersigned authority, on this day personally appeared the person known by me to be Charles S. Griffey, who, after being sworn by me, stated as follows:

1. My name is Charles S. Griffey. I am over eighteen years of age, am of sound mind and competent to make this Affidavit. I have personal knowledge of every statement contained in this Affidavit, and every statement contained herein is true and correct and based on my own personal knowledge.
2. I make this Affidavit in support of my testimony on behalf of the Texas Industrial Energy Consumers. Attached hereto and made a part hereof for all purposes is my Direct Testimony and Exhibits, which have been prepared in written form for introduction into evidence in the Public Utility Commission of Texas Docket No. 50584.
3. I hereby swear and affirm that my answers contained in the testimony are true and correct.


CHARLES S. GRIFFEY

SUBSCRIBED AND SWORN to before me on this the 21st of May, 2020 to certify which witness my hand and seal of office.



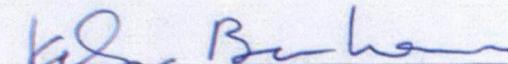

Kelyn Barahona
Notary Public

EXHIBIT CSG-1

STATEMENT OF QUALIFICATIONS

Exhibit CSG-1

Statement of Qualifications

CAREER SUMMARY

Senior energy executive who managed the regulatory planning and government affairs function for one of the nation's leading competitive electricity companies. Consulted closely with other senior executives to devise and implement commercial/regulatory/political strategies to manage risks and position the firm to be successful in competitive wholesale and retail electric markets. Recognized as leader in electric market design and as an expert witness on electric policy, market design, and resource planning matters. Skilled in:

- | | |
|--------------------------------------|------------------------------------|
| ◊ Corporate Strategy/Risk Management | ◊ Power Plant Economics |
| ◊ Electric Market Design | ◊ Rate Setting and Design |
| ◊ Policy Advocacy | ◊ Retail and Wholesale Competition |

PROFESSIONAL EXPERIENCE

Energy Consultant, Houston, Texas 2009 – Present
Provide consulting services across the energy value chain, from generation to customer sales for both electricity and natural gas. Clients include independent power producers, large industrial consumers, and retail electric providers. Sample engagements include:

- Expert testimony on utility mergers
- Expert testimony and consulting on resource planning, renewables projects, and early retirement
- Expert testimony and consulting expert on cost of combined cycle gas turbines
- Expert testimony on rate case issues, including return, credit risk, and capital structure
- Expert testimony on transmission planning
- Expert testimony on mitigation of generation market power
- Expert testimony on prudence of a decision to construct a coal-fired generating plant
- Expert testimony on distributed generation
- Expert testimony in civil litigation regarding commercial reasonability of retail electric contracts.
- Consulting services regrading prudence of planning to build nuclear and IGCC facilities
- Consulting services related to decision to build cogeneration at industrial facilities
- Consulting services to large industrial companies regarding electric market design.
- Consulting services to a large retail electric provider regarding market opportunities and regulatory/government affairs.
- Consulting services to a developer of compressed air energy storage on regulatory and government affairs.
- Expert testimony regarding market design, the meaning of PURPA and the appropriate payment to Qualifying Facilities for power provided to the grid.
- Expert testimony in a contract dispute between a retail electric provider and a customer regarding pass-through charges.
- Consulting expert on interpretation of purchased power contract between an investor-owned utility and a municipally-owned utility.
- Expert testimony on retail rate design.
- Develop and implement advocacy plan to avoid power plant retirements from a proposed policy to ban once-through cooling in a coastal state; manage compliance filing for two power plants.
- Advise on the economics of energy storage technologies.
- Advise on the feasibility of opening additional retail gas markets to competition.
- Advise on how to structure a regulatory and government affairs organization.

Adjunct Professor of Management at Rice University's Jones Graduate School of Business 2010-2016, specializing in the economics of the electricity value chain, management of risk, and related public policy considerations.

Exhibit CSG-1
Statement of Qualifications

RRI ENERGY (RELIANT ENERGY, INC.), Houston, Texas

1989 – 2009

Sr. VP Regulatory Affairs and Market Design

2007 - 2009

Reporting directly to the CEO, co-managed the company's national, regional, and state level government, regulatory, community affairs, and communications functions, with emphasis on electricity regulation, competitive market design, and associated legislation. Oversaw a staff of 70 people and a managed a budget of \$30 million.

- Managed to an outcome wherein no laws or regulations harmful to the company were passed.
- Analyzed risk associated with the company's retail business (~ 1.8 million customers) and the wholesale business (~14,000 Mw installed capacity) and implemented regulatory risk mitigation strategies that aligned with corporate vision and goals.
- Coordinated policy between retail and wholesale business units to establish sound policy and design principles and to present a single voice to external stakeholders.
- Testified on electric policy, smart energy, and demand response in legislative, regulatory, and judicial arenas, drawing effectively on significant industry knowledge and experience.
- Achieved outstanding results on employee survey regarding departmental leadership and management capability (100% score on treating employees fairly, holding them accountable, making use of their skills, trusting them to make appropriate decisions, and improving own performance based on employee feedback).

Sr. VP Regulatory Affairs

2003 - 2007

- Managed Reliant's national regulatory and market design efforts and legislative efforts in Texas.
 - Achieved Texas PUC ruling on excess mitigation credits that effectively averted requirement that Reliant Energy pay \$375 million to CenterPoint Energy to lower stranded cost; and,
 - Successfully designed rules at Texas PUC regarding provider of last resort, price to beat, customer protections, and financial standards for retailers.
- Collaborated closely with legislative and executive branches in Texas, including Governor, Lt. Governor, Speaker, Chairs and members of Senate Business and Commerce and House Regulated Industries to achieve:
 - Successful transition to retail competition in Texas, creating a political/regulatory environment to allow Reliant's \$500 million contribution margin retail business the opportunity to thrive with appropriate government oversight; and,
 - Settlement of the political/regulatory intervention in retail pricing following Hurricanes Katrina and Rita. The settlement led to a phase-in of price increases which set the stage for a successful 2007 legislative session and emergence into full competition
- Provided expert witness testimony in regulatory, government, and court proceedings.
- Intimately involved in settlement of Reliant Energy's issues regarding the 2000-2001 California Energy crisis. Led response to FERC's March 2003 report accusing Reliant Energy of "churning" in its purchases of natural gas for its California power plants.

VP Regulatory Strategy and Planning

1998 - 2003

Directed Reliant's Texas regulatory and market design efforts. Responsible for financial forecasting, rates, and capital budgeting for Reliant Energy HL&P through 2001, including analysis of capital investment and mothball decisions, power purchase and sales agreements.

- Created and developed risk adjusted wholesale price forecasting tool that provided a distribution of future prices for use in investment analysis to value real options in the generation fleet and the retail contract portfolio.

Exhibit CSG-1

Statement of Qualifications

- Led regulatory strategy to move Reliant Energy from being a regulated utility to becoming separate companies – a wires-only transmission and distribution utility and a company involved in competitive generation and retail activities.
- Heavily involved in passage and implementation of SB 7, the Texas law that moved ERCOT to a competitive market, including:
 - Competitive market design,
 - IPO of Reliant Resources, its option to buy Texas Genco, and use of that option price as the stranded cost valuation method for purposes of the statutory stranded cost true-up, and
 - Settlement of initial Price to Beat rate, and securitization of regulatory assets worth \$760 million.

Various positions in Corporate/Regulatory Planning

1989 - 1998

Led a variety of processes that involved evaluation and establishment of company's generation, resource planning, rate setting, and load forecasting, including power plants, energy efficiency, and demand response.

AUSTIN ENERGY, Austin, Texas

1988 - 1989

Manager, Gas Purchasing and Fuel Planning

Held overall responsibility for purchasing natural gas for the utility's power plants, as well as planning construction of second gas pipeline to serve power plants.

PUBLIC UTILITY COMMISSION OF TEXAS, Austin, Texas

1986 - 1988

Fuel Analyst

Investigated prudence of utility fuel and power procurement and integrated resource planning.

BECHTEL GROUP, INC., Houston, Texas

1981 - 1983

Process Design Engineer

Worked on the Coolwater Coal Gasification Power Plant, the first IGCC ever built.

EDUCATION

JESSE H. JONES GRADUATE SCHOOL OF BUSINESS, RICE UNIVERSITY, Houston, Texas

Master of Business and Public Management, 1985

Majors - Finance and Entrepreneurship

Honors - Outstanding Finance Student

RICE UNIVERSITY, Houston, Texas

BS, Chemical Engineering, 1981

PROFESSIONAL CERTIFICATIONS

CHARTERED FINANCIAL ANALYST, No. 12245

PROFESSIONAL ENGINEER IN THE STATE OF TEXAS, NO. 73184

Exhibit CSG-1

Statement of Qualifications

Testimony before the Public Utility Commission of Texas

Docket	On behalf of	Description
6032	<i>PUCT Staff</i>	<i>Petition of Central Power & Light Company for fixing of refund with interest and amendment of monthly interim fuel factor. Performed fuel forecast.</i>
6611	<i>PUCT Staff</i>	<i>Petition of Southwestern Electric Power Company for recovery of unrecovered fuel expense with interest thereon and the setting of revised fixed fuel factors. Performed prudence investigation which resulted in fuel refunds; fuel forecast.</i>
6765	<i>PUCT Staff</i>	<i>Application by Houston Lighting & Power Company for authority to change rates. Prudence of fuel procurement and fuel forecast.</i>
6963	<i>PUCT Staff</i>	<i>Investigation regarding the reasonableness of Houston Lighting & Power Company's Spring Creek and Ken McGee Coal Contract Costs. Prudence of long-term coal contracts.</i>
6992	<i>PUCT Staff</i>	<i>Investigation regarding Texas-New Mexico Power Company for a Certificate of Convenience and Necessity for a proposed generating station (coal-fired) within Robertson County. Economic study of best and most economic option for utility resource acquisition.</i>
7195/6755	<i>PUCT</i>	<i>Application of Gulf States Utilities Company for authority to change rates. Inquiry of the Public Utility Commission of Texas into the prudence and efficiency of the planning and management of the construction of the River Bend Nuclear Generating Station. Prudence of fuel procurement and fuel forecast</i>
7460	<i>PUCT Staff</i>	<i>Application of El Paso Electric Company for authority to change rates. Prudence of fuel procurement and fuel forecast.</i>
7510	<i>PUCT Staff</i>	<i>Application of West Texas Utilities Company for authority to change rates. Prudence of fuel procurement and fuel forecast</i>
7512	<i>PUCT Staff</i>	<i>Application of Lower Colorado River Authority for authority to change rates. Prudence of fuel procurement and fuel forecast.</i>
10473	<i>HL&P</i>	<i>Notice of Intent of Houston Lighting & Power Company for a Certificate of Convenience and Necessity for DuPont Project, Webster Units 1 & 2 Refurbishment Project, and Greens Bayou Units 3 & 4 Refurbishment Project. Economic study of resource procurement.</i>
10832	<i>HL&P</i>	<i>Houston Lighting & Power Company's Standard Avoided Cost Calculation for the Purchase of Firm Energy and Capacity from Qualifying Facilities Pursuant to Subst. R. 23.66(h)(3). History of resource planning and appropriateness of marginal cost.</i>
11000	<i>HL&P</i>	<i>Application of Houston Lighting & Power Company for a Certificate of Convenience and Necessity for the DuPont Project. Economic study of resource procurement</i>
11999	<i>HL&P</i>	<i>Application of Houston Lighting & Power Company for Approval of Tariff for Economic Improvement Service - Rate Schedule EIS. Appropriateness of marginal cost.</i>
12138	<i>HL&P</i>	<i>Notice of Intent of Houston Lighting & Power Company for a Certificate of Convenience and Necessity for Advanced Gas Turbine Projects. Economic study of resource procurement.</i>
12065	<i>HL&P</i>	<i>Complaint of Kenneth D. Williams Against Houston Lighting & Power Company, Prudence of utility planning; industry restructuring.</i>

Exhibit CSG-1

Statement of Qualifications

Testimony before the Public Utility Commission of Texas

Docket	On behalf of	Description
12957	HL&P	<i>Application of Houston Lighting & Power Company for Approval of Experimental Tariff for Special Contract Pricing, Rate Schedule SCP. Appropriateness of marginal cost.</i>
15000	HL&P	<i>An Investigation into Issues Related to the Electric Utility Industry and Regulatory Restructuring. Industry restructuring.</i>
15001	HL&P	<i>An Investigation into Potentially Stranded Investment in the Electric Utility Industry in Texas. Industry restructuring.</i>
15002	HL&P	<i>An Investigation into the Scope of Competition in the Electric Utility Industry in Texas. industry restructuring.</i>
21665	Reliant	<i>Application of Reliant Energy, Incorporated for a Financing Order to Securitize Regulatory Assets and Other Qualified Costs. Industry restructuring and securitization of regulatory assets.</i>
21956	Reliant	<i>Application of Reliant Energy, Inc. for Approval of Business Separation Plan. Industry restructuring.</i>
22355	Reliant	<i>Application of Reliant Energy HL&P for Approval of Unbundled Cost Of Service Rate Pursuant to PURA §39.207 and Public Utility Commission Substantive Rules 25.344. Industry restructuring and recovery of stranded costs.</i>
23950	Reliant	<i>Petition of Reliant Energy, Inc. to Establish Price to Beat Fuel Factor and Request for Good Cause Exception to Subst. R.25.47. Industry restructuring and setting of default service rate.</i>
24790	Reliant	<i>Petition to Appoint Provider of Last Resort Pursuant to PURA 39.7 06 for Residential and Small Non-Residential Customers in the Entergy, TXU East-DFW, and TXU West-DFW Service Areas and for Large Non-Residential Customers in the Reliant North, Reliant South, CPL Gulf Coast, CPL Valley, WTU, and SWEPCO Service Areas. Industry restructuring and setting of POLR rate.</i>
29526	Reliant	<i>Application Of CenterPoint Energy Houston Electric For A True-Up Filing. Rate design for stranded cost true-up</i>
35620	Reliant	<i>Application of CenetrPoint Houston Electric LLC for Approval to Implement Advanced Meter Information Network Pursuant to PURA 39.107(i) Benefits of smart meter deployment.</i>
37361	Occidental	<i>Application of Southwestern Public Service Company for Authority to Revise Its Tariff for Purchase of Non-Firm Energy from Qualifying Facilities. Appropriate price to pay for non-firm energy deliveries in SPP</i>
38448	Just Energy	<i>Petition of Just Energy Texas, LP for the Commission to Resolve a Billing Dispute. Nature of unaccounted for energy and how to calculate the amount of unaccounted for energy to bill a customer under a contract allowing pass-through of such charges</i>
40443	TIEC	<i>Application Of Southwestern Electric Power Company For Authority To Change Rates And Reconcile Fuel Costs. Prudence of decision to continue construction of Turk coal plant and impact of Turk Plant on Texas</i>
40449	Occidental	<i>Complaint of Ascendant Renewable Energy Corp. Against Southwestern Public Service. Appropriate interconnection procedure for a distribution level Qualifying Facility in SPP and interpretation of SPS tariffs and contracts</i>
40545	PUCT Staff	<i>Petition of Calpine for Approval of Voluntary Mitigation Plan. Evaluation of market power mitigation under proposed plan</i>

Exhibit CSG-1

Statement of Qualifications

41223 Occidental	<i>Application Of Entergy Texas, Inc. and ITC Holdings Corp. for Approval of Change of Ownership and Control of Transmission Business.</i> Determination of whether transaction is in the public interest
41437 Occidental	<i>Application of EntergyTexas, Inc. for Approval of LQR Tariff.</i> Appropriate price to pay for deliveries of non-firm energy from QFs
42511 TIEC/Luminant	<i>Complaint Of Calpine Corporation And NRG Energy, Inc., Against The Electric Reliability Council Of Texas And Appeal Of Decision Concerning The Houston Import Project.</i> Determination of whether ERCOT followed its procedures in approving the Houston Import Project
43695 Occidental	<i>Application Of Southwestern Public Service Company For Authority To Change Rates.</i> Issues regarding post test year adjustments, transmission charges, and cost allocation and rate design
44547 TIEC/Luminant	<i>Application of Centerpoint Energy Houston Electric, LLC to Amend a Certificate Of Convenience and Necessity for a Proposed 345-Kv Transmission Line Within Grimes, Harris, And Waller Counties.</i> Appropriate transmission planning procedures.
45188 TIEC	<i>Joint Report And Application Of Oncor Electric Delivery Company Llc, Ovation Acquisition I, L.L.C., Ovation Acquisition II, L.L.C. , And Shary Holdings, L.L.C. For Regulatory Approvals Pursuant To Pura §§ 14.101, 37.154, 39.262(L)-(M), And 39.915.</i> Public interest findings with respect to the sale/transfer/merger of a utility with a REIT.
45624 TIEC	<i>Application Of The City Of Garland, Texas, For A Certificate Of Convenience And Necessity For The Proposed Rusk To Panola Double-Circuit 345-Kv Transmission Line In Rusk And Panola Counties, Texas.</i> Conditions for the line to be in the public interest and proper way to do a cost/benefit analysis for a DC tie.
46050 TIEC	<i>Application Of AEP Texas Central Company, AEP Texas North Company, And AEP Utilities, Inc. For Approval Of Merger.</i> Estimation of merger savings.
46238 TIEC	<i>Joint Report And Application of Oncor Electric Delivery Company LLC And Nextera Energy, Inc. for Regulatory Approvals Pursuant to Pura §§14.101, 39.262 And 39.915.</i> Public interest findings with respect to the sale/transfer/merger of a utility.
45414 TIEC	<i>Review of the Rates of Sharyland Utilities, L.P., Establishment of Rates for Sharyland Distribution & Transmission Services, L.L.C., and Request For Grant of A Certificate of Convenience And Necessity and Transfer of Certificate Rights.</i> Whether to include federal income tax as expense of a public utility REIT, issues regarding transfer of development of transmission lines among affiliates of electric utility, recovery of regulatory asset.
46416 TIEC	<i>Application of Entergy Texas, Inc. for a Certificate of Convenience and Necessity to Construct Montgomery County Power Station.</i> Appropriate method to use to analyze resources of different lives, and appropriateness of including imputed debt as a cost for PPAs.
46831 FMI	<i>Application of El Paso Electric Company to Change Rates.</i> Appropriateness of cost allocation, issues regarding interruptible rates and customers contracts, rates for residential distributed solar resources, possible directed purchase options.
47576 TIEC	<i>Application of The City of Lubbock Through Lubbock Power and Light for Authority to Connect a Portion of Its System with the Electric Reliability Council of Texas.</i> Appropriate method to evaluate whether a utility outside of ERCOT joining ERCOT is in the public interest.
48400 TIEC	<i>Joint Application of Rayburn Country Electric Cooperative, Inc. and Lone Star Transmission, LLC to Transfer Load to Ercot, and for Sale of Transmission Facilities and Transfer of Certificate Rights in Henderson and Van Zandt Counties.</i> Evaluate whether a utility outside of ERCOT joining ERCOT is in the public interest and best method to interconnect to ERCOT.

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Statement of Qualifications

48929 TIEC

Joint Report And Application Of Oncor Electric Delivery Company LLC, Sharyland Distribution & Transmission Services, L.L.C., Sharyland Utilities, L.P., And Sempra Energy For Regulatory Approvals Under Pura §§ 14.101, 37.154, 39.262, And 39.915. Public interest findings with respect to the sale/transfer/merger of a utility.

48973 TIEC

Application of Southwestern Public Service Company for Authority to Reconcile Fuel and Purchased Power Costs. Prudence of decision to enter into solar power contracts and proper analysis techniques for resource planning.

49421 TIEC

Application of Centerpoint Energy Houston Electric, LLC for Authority to Change Rates. Financial ring-fencing and context for return on equity, debt, and capital structure.

49737 TIEC

Application of Southwestern Electric Power Company for Certificate of Convenience and Necessity Authorization and Related Relief for the Acquisition of Wind Generation Facilities. Reasonableness of proposal to acquire new wind facilities.

49831 TIEC

Application of Southwestern Public Service Company for Authority to Change Rates. Appropriate capital structure, credit risks, and return on equity.

49849 TIEC

Joint Report And Application of El Paso Electric Company, Sun Jupiter Holdings LLC, And IIF US Holding 2 LP for Regulatory Approvals Under PURA §§ 14.101, 39.262, And 39.915. Public interest findings with respect to the sale/transfer/merger of a utility.

Colorado Public Service Commission

16A-0396E Coalition of Ratepayers

In The Matter Of The Application Of Public Service Company Of Colorado For Approval Of Its 2016 Electric Resource Plan. Whether retirement of two coal units and implementation of the Colorado Energy Plan is the lowest cost alternative for ratepayers.

17A-0797E Coalition of Ratepayers

Re: In The Matter Of The Application Of Public Service Company Of Colorado To Modify The Depreciation Schedules For The Early Retirement Of Comanche 1 And Comanche 2 Generating Units, Establish A Regulatory Asset To Collect Incremental Depreciation, Reduce The Renewable Energy Standard Adjustment Collection To One Percent, And Implement A General Rate Schedule Adjustment, Contingent On The Approval Of The Colorado Energy Plan Portfolio In Proceeding No. 16A-0396E. Issues with PSCo's evaluation of economics of early retirement in favor of Colorado Energy Plan and deferral of accelerated depreciation into a regulatory asset.

Indiana Utility Regulatory Commission

45806 Alliance Coal

Verified Petition of Southern Indiana Gas and Electric Company D/B/A Vectren Energy Delivery of Indiana, Inc., for: (1) Authority to Construct, Own and Operate a Solar Energy Project and a Finding that Such Project Constitutes a Clean Energy Project Pursuant to Ind. Code Ch. 8-1-8.8; (2) Issuance of a Certificate Of Public Convenience And Necessity for the Construction of the Solar Energy Project Pursuant to Ind. Code Ch. 8-1- 8.5; and (3) Authority to Timely Recover Costs Incurred During Construction and Operation of the Project in Accordance with Ind. Code § 8-1-8.5-6.5 and Ind. Code § 8-1- 8.8-11 Economics of a solar project in Indiana.

45159 ICARE, ICC

Petition Of Northern Indiana Public Service Company LLC Pursuant To Ind. Code §§ 8-1-2-42.7, 8-1-2-61 And, Ind. Code § 8-1- 2.5-6 For (1) Authority To Modify Its Rates And Charges For Electric Utility Service Through A Phase In Of Rates; (2) Approval Of New Schedules Of Rates And Charges, General Rules And Regulations, And Riders; (3) Approval Of Revised Common And Electric Depreciation Rates Applicable To Its Electric Plant In Service; (4) Approval Of Necessary And Appropriate Accounting Relief; And (5) Approval Of A New Service Structure For Industrial Rates. Flaws in NIPSCO's Integrated Resource Plan.

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Statement of Qualifications

45194 ICC	<i>Verified Joint Petition Of Northern Indiana Public Service Company Llc ("Nipsco") And Rosewater Wind Generation Llc (The "Joint Venture") For (1) Issuance To Nipsco Of A Certificate Of Public Convenience And Necessity For The Purchase And Acquisition Of A 102 Mw Wind Farm ("The Rosewater Project"); (2) Approval Of The Rosewater Project As A Clean Energy Project Under Ind. Code § 8-1-8.8-11; (3) Approval Of Ratemaking And Accounting Treatment Associated With The Rosewater Project; (4) Authority To Establish Amortization Rates For Nipsco's Investment In The Joint Venture; (5) Approval Pursuant To Ind. Code § 8-1-2.5-6 Of An Alternative Regulatory Plan Including Establishment Of Joint Venture Through Which The Rosewater Project Will Support Nipsco's Generation Fleet And The Reflection In Nipsco's Net Original Cost Rate Base Of Its Investment In Joint Venture; (6) Approval Of Purchased Power Agreements Through Which Nipsco Will Receive The Energy Generated By The Rosewater Project, Including Timely Cost Recovery Pursuant To Ind. Code § 8-1-8.8-11 Through Nipsco's Fuel Adjustment Clause; (7) Authority To Defer Amortization And To Accrue Post-In Service Carrying Charges On Nipsco's Investment In Joint Venture; (8) To The Extent Generally Accepted Accounting Principles Would Treat Any Aspect Of Joint Venture As Debt On Nipsco's Financial Statements, Approval Of Financing; (9) Approval Of An Alternative Regulatory Plan For Nipsco In Order To Facilitate The Implementation Of The Rosewater Project; And (10) To The Extent Necessary, Issuance Of An Order Pursuant To Ind. Code § 8-1-2.5-5 Declining To Exercise Jurisdiction Over Joint Venture As A Public Utility.</i> Reasonableness of proposal to build a 102 MW of wind project.
45195 ICC	<i>Verified Petition Of Northern Indiana Public Service Company LLC For Approval Pursuant To Ind. Code §§ 8-1-2-42(A), 8-1-8.8-11, And To The Extent Necessary Ind. Code §8-1-2.5-6, Of A Renewable Energy Power Purchase Agreement With Jordan Creek Wind Farm LLC, Including Timely Cost Recovery.</i> Reasonableness of proposal to purchase 400 Mw of wind energy.
45196 ICC	<i>Verified Petition Of Northern Indiana Public Service Company LLC For Approval Pursuant To Ind. Code §§ 8-1-2-42(A), 8-1-8.8-11, And To The Extent Necessary Ind. Code § 8-1-2.5-6, Of A Renewable Energy Power Purchase Agreement With Roaming Bison Wind, LLC, Including Timely Cost Recovery.</i> Reasonableness of proposal to purchase 300 Mw of wind energy.

Kansas Corporation Commission

12-KG&E-17-CON Occidental	<i>Application Of Kansas Gas And Electric Company For Approval Of The Energy Supply Agreement Between Kansas Gas And Electric Company And Frontier El Dorado Refining Company LLC.</i> Economics of special contracts and customer bypass of utility service.
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LOUISIANA PUBLIC SERVICE COMMISSION

Dockets On behalf of	Description
U-32538 Occidental	<i>In Re: Joint Application of Entergy Louisiana, LLC, Entergy Gulf States Louisiana, LLC, Mid South Transco, LLC, Transmission Company Louisiana I, LLC, Transmission Company Louisiana II, LLC, ITC Holdings Corp. and ITC MidSouth LLC for Approval of Change of Ownership of Electric Trnasmission Businesses, For Certain Cost-Recovery Related Adjustments and for Related Relief.</i> Determination of whether transaction is in the public interest
U-33950 Occidental	<i>In Re: Entergy Louisiana, LLC Compliance Submission Regarding Deactivation Of Little Gypsy 1, Ninemile 3, And Willow Glen 2 And 4, As Required By Order No. U – 33510.</i> Evaluation of economics of decision to deactivate Willow Glen 2 and 4.
U-34283 Occidental	<i>In Re: Application of Entergy Louisiana, LLC for Approval to Construct Lake Charles Power Station, and for Cost Recovery.</i> Appropriate method to use to analyze resources of different lives, and appropriateness of including imputed debt as a cost for PPAs.

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U-34447 Occidental *Application Of Entergy Louisiana , LLC Regarding Continued Participation In The Midcontinent Independent System Operator, Inc. Regional Transmission Organization.*
Recommended conditions to for ELL to continue membership in MISO, recommended change case for measurement of benefits of MISO membership.

MARYLAND PUBLIC SERVICE COMMISSION

9063 Reliant *In The matter of The Optimal Market Design For The Electric Industry In Maryland.* Wholesale and Retail Market design.

Mississippi Public Service Commission

2015-UN-80 Greenleaf *Notice Of Intent Of Mississippi Power Company For A Change In Rates Supported By A Conventional Rate Filing Or, In The Alternative, By A Rate Mitigation Plan In Connection With The Kemper County IGCC Project.* Amount of investment to count as prudent for the CCGT portion of an IGCC. Reasons why Kemper IGCC project should be abandoned.

2017-AD-112 Greenleaf *Encouraging Stipulation of Matters In Connection With the Kemper County IGCC Project.* Amount of prudent investment in Kemper CCGT that should be allowed in rates, and setting of O&M expense and annual revenue requirement.

New Mexico Public Resource Commission

19-00018-UT Westmoreland *In The Matter Of Public Service) Company Of New Mexico's Consolidated Application For Approvals For The Abandonment, Financing And Resource Replacement For San Juan Generating Station Pursuant To The Energy Transition Act. Consideration of Replacement Resources.*

Pennsylvania Public Utilities Commission

P-00032071 Reliant *Duquesne Light Company Petition for Approval of Plan for Post Transition POLR Service.* Wholesale and Retail Market design and supply procurement.

P-00052188 RESA¹ *Petition of Pennsylvania Power Co. for Approval of Interim PLR Supply Plan.* Wholesale and Retail Market design.

Testimony Filed with the Federal Energy Regulatory Commission

FERC Dockets	On behalf of	Description
ER98-927-000	Reliant	<i>Application of Reliant Energy Mandalay, L. L.C., to sell energy, capacity and ancillary services at market based rates.</i> Market Power study.
ER98-928400	Reliant	<i>Application of Reliant Energy Ellwood, L. L. C., to sell energy, capacity and ancillary services at market based rates.</i> Market Power study.
ER98-930-000	Reliant	<i>Application of Reliant Energy Etiwanda, L L. C., to sell energy, capacity and</i>

¹ Retail Electric Suppliers' Association

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Statement of Qualifications

ancillary services at market based rates. Market Power study.

ER98-93 1400 Reliant Application of Reliant Energy Cool Water, L. L. C., to sell energy, capacity and ancillary services at market based rates. Market Power study.

ER98-2878-000 Reliant Application of Reliant Energy Ormond Beach, L. L C., to sell energy, capacity and ancillary services at market based rates. Market Power study.

ER99-3 143-000 Reliant Application of Reliant Energy Indian River, L. L. C., to sell energy, capacity and ancillary services at market based rates. Market Power study.

EL13-61-000 Occidental Exelon Wind et al Complaint and Petition for Enforcement. Determination of whether a Legally Enforceable Obligation was established between a QF and a utility

ER19-1486-000 Load/Customer Coalition PJM Interconnection, L.L.C. Comments on ORDC design

EL19-58-000 Load/Customer Coalition PJM Interconnection, L.L C Comments on ORDC design

CIVIL LITIGATION

CAUSE NO. C-356-10-A Lorali, Ltd, Danhana, Ltd, RGV Warehouse, Ltd, and Richann, Inc. v. Sempra Energy Soulution, LLC and Priority Power, LL, 92nd Judicial Court, Hidalgo County, Texas. Commercial Reasonability of Retail Electric Contracts and Wholesale and Retail Market Design.

CAUSE NO. A-09-CA-917-SS JD Wind v. Public Utility Commission of Texas, United States District Court, Western District of Texas, Austin Division. History of PURPA implementation and avoided cost.

CAUSE NO. D-I-GN-10-004130 Exelon Wind v. Public Utility Commission of Texas, State District Court, Austin, Texas. History of PURPA implementation and avoided cost.

CAUSE NO. D-I-GN-12-002186 Lower Colorado River Authority v. Central Texas Electric Cooperative, Fayette Electric Cooperative and San Bernard Electric Cooperative Damages calculation for breach of purchased power contract.

CAUSE NO. 121-001-B Lower Colorado River Authority v. City Of Kerrville, Acting By And Through Kerrville Public Utility Board. Damages calculation for breach of purchased power contract.

CAUSE NO. 3:08-cv-780-CWR-LRA The State Of Mississippi, Ex Rel. Jim Hood, Attorney General For The State Of Mississippi, Plaintiff, v. Entergy Mississippi, Inc., Et Al., Defendants. Reasonableness of power procurement by utility.

LEGISLATIVE TESTIMONY

Joint Meeting of Texas House Interim Committee of Natural Resources and House Regulated Industries, May 2009

Texas House Regulated Industries, February 2007 - State of the Electric Industry

Texas Senate Business and Commerce, February 2007 – State of the Electric Industry

Texas House Regulated Industries, March 2005 - State of the Electric Industry

EXHIBIT CSG-2

PRE-TRANSACTION AND POST-TRANSACTION ORGANIZATIONAL CHARTS

(HSPM)

**PROVIDED TO PARTIES PURSUANT TO
THE PROTECTIVE ORDER**

EXHIBIT CSG-3

EXCERPTS FROM BARCLAYS PRESENTATION

(HSPM)

**PROVIDED TO PARTIES PURSUANT TO
THE PROTECTIVE ORDER**

EXHIBIT CSG-4

WETT MEMORANDUM ON RATINGS AGENCY ANALYSIS

FEBRUARY 25, 2019

(HSPM)

**PROVIDED TO PARTIES PURSUANT TO
THE PROTECTIVE ORDER**

EXHIBIT CSG-5

DBRS INDICATIVE RATINGS LETTER FOR WETT AND WETT HOLDINGS

(HSPM)

**PROVIDED TO PARTIES PURSUANT TO
THE PROTECTIVE ORDER**

EXHIBIT CSG-6

**REDLINE OF PROPOSED RING-FENCING
AND OTHER REGULATORY CONDITIONS**

Exhibit CSG-6
Redline Version of Proposed Regulatory Commitments

Regulatory Commitments

The following regulatory commitments are made to the Public Utility Commission of Texas (“Commission”) in support of the Application for Sale, Transfer, or Merger for approval of a proposed transaction that, if approved and closed, will transfer ownership and control of Wind Energy Transmission Texas, LLC (“WETT”) from its current ultimate owners, Brookfield Asset Management Inc. and the Public Sector Pension Investment Board, to an indirect subsidiary of AxInfra US LP (“AxInfra”), an investment fund managed by Axium Infrastructure US Inc. (“Axium US,” and collectively with AxInfra, “Axium”).

Ring-fencing: Financial, Affiliate Interaction, and Code of Conduct

- 1. Sole Authorized Purpose** – The sole authorized purpose of WETT will be the provision of wholesale electric utility service and the performance of activities reasonably necessary and appropriate thereto. The sole authorized purpose of Hotspur SPV LLC is the indirect ownership of WETT. The sole authorized purpose of WETT Holdings LLC (“WETT Holdings”) will be the ownership of WETT and the performance of activities reasonably necessary and appropriate to exercise such ownership. The sole authorized purpose of Hotspur HoldCo 2 LLC (“Hotspur 2”) will be the ownership of WETT Holdings and the sole authorized purpose of Hotspur HoldCo 1 LLC (“Hotspur 1”) will be the ownership of ROADIS WETT Corp. and in each case the performance of activities reasonably necessary and appropriate to exercise such ownership.
- 2. Best Interest of Utility** – The WETT WETT Holdings board of directors will consider have the duty to act, subject to applicable Texas law, in the best interests of WETT.
- 3. Name and Logo** – WETT will maintain a separate name and logo from Axium, TIAA and all other Axium and TIAA subsidiaries and affiliates.
- 4. Pledging of Assets/Stock** – WETT’s assets or revenues shall not be pledged by AxInfra Axium or any of its affiliates or subsidiaries for the benefit of any entity other than WETT. Without prior approval of the Commission, neither Axium, TIAA, nor any of their affiliates or subsidiaries (excluding WETT) will incur, guaranty, or pledge assets with respect to any incremental new debt at the closing or thereafter that is dependent on: (1) the revenues of WETT in more than a proportionate degree than the other revenues of Axium, TIAA or the affiliate in question; or (2) the ownership of WETT

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Redline Version of Proposed Regulatory Commitments

- 5. No Inter-Company Debt or Lending** –WETT, will not lend money to or borrow money from AxInfra Axium, TIAA or any of its their affiliates or subsidiaries.
- 6. Credit Facility** –None of WETT, WETT Holdings, Hotspur 1, or Hotspur 2 will be borrowers under a common credit facility with one another, nor with AxInfra Axium, TIAA or itsaffiliates their affiliates or subsidiaries.
- 7. Cross-Default provisions** – WETT will not include in any of its debt or credit agreements cross-default provisions relating to AxInfra Axium, TIAA or any of its their affiliates or subsidiaries. Under no circumstances will any debt of WETT become due and payable or otherwise be rendered in default because of any cross-default or similar provisions of any debt or other agreement of Axium, TIAA or any of its their affiliates or subsidiaries.
- 8. Affiliate Asset Transfer** –WETT will not transfer material assets to affiliates other than in a transfer that is at an arm's length basis consistent with the Commission's affiliate standards applicable to WETT.
- 9. Separate Books and Records** – WETT will maintain accurate, appropriate, and detailed books, financial records and accounts, including checking and other bank accounts, and custodial and other securities safekeeping accounts that are separate and distinct from those of any other entity.
- 10. Code of Conduct** – WETT will file with the Commission for authority to amend and update its code of conduct to incorporate all applicable conditions and limitations on affiliate transactions required by these regulatory commitments.
- 11. Credit Ratings Agencies** – WETT and Axium shall take the actions necessary to ensure the existence of WETT's standalone credit and debt ratings. WETT will, except as otherwise approved by the Commission, be registered with major nationally and internationally recognized bond rating agencies, such as Standard & Poor's, Moody's Investor Service, and Fitch Ratings.
- 12. Dividend Restriction** - If either (a) WETT's credit rating from a major rating agency falls below BBB (Baa2) or (b) WETT is not rated by a major rating agency and WETT's cash from operations pre-working capital/Debt metric falls below 13% in any year, then WETT will suspend payment of dividends or other distributions, except for contractual tax payments, until otherwise allowed by the Commission. Additionally, the WETT Hodlings board shall withhold dividends if it believes that is in the best interest of the utility. In addition, neither Axium, TIAA nor any of their affiliates will issue stock or ownership interests that supersede the foregoing obligations of WETT. WETT shall notify the Commission if either WETT's or WETT Holdings' issuer rating or corporate

Exhibit CSG-6

Redline Version of Proposed Regulatory Commitments

rating as rated by any of agencies rating WETT or WETT Holdings falls below its current level as of 5/1/2020.

13. No New Debt at WETT Holdings - No additional debt related to this transaction will be incurred at WETT or WETT Holdings. No additional debt may be incurred at WETT Holdings, and the existing debt at WETT Holdings will be paid off as soon as practical, but no later than the end of 2024.

14. No Growth Investment – WETT agrees if it is not rated by one of the three major ratings agencies, then so long as the percentage of consolidated debt at WETT Holdings is greater than the percentage of debt included in WETT's capital structure in its most recent rate case, it will forego its option to build off of any of its endpoints. This commitment does not include any project for which WETT has filed an application to amend its CCN as of 5/1/2020.

Employees, Local Community, and Texas

14.15. Capital Expenditures – WETT will continue to make minimum capital expenditures in an amount equal to WETT's current five-year budget for the five year period beginning January 1 2021, subject to the following qualifications, which shall be reported to the Commission in WETT's earnings monitoring report: WETT may reduce capital spending due to conditions not under WETT's control, including, without limitation, siting delays, cancellations of projects by third-parties, weaker than expected economic conditions, or if WETT determines that a particular expenditure would not be prudent.

14.16. Headquarters – WETT's existing headquarters will remain in Austin, Texas for so long as AxInfra owns WETT.

14.17. Management Day-to-Day Control – WETT's CEO and WETT's senior management will continue to have day-to-day control over WETT's operations.

14.18. Continued Ownership – AxInfra will maintain a controlling ownership interest in WETT for at least 5 years post-closing.

14.19. Workforce – For at least 2 years post-closing, as a result of the transaction, WETT will not implement any material involuntary workforce reductions or changes to wages, benefits, and other terms and conditions of employment in effect prior to the transaction.

Accounting and Ratemaking

Exhibit CSG-6
Redline Version of Proposed Regulatory Commitments

16.20. **Goodwill** – WETT will not seek recovery in rates of any transaction acquisition premium. Any goodwill associated with the transaction will not be included in rate base, cost of capital, or operating expenses in future WETT ratemaking proceedings. Write-downs or write-offs of goodwill will not be included in the calculation of net income for dividend or other distribution payment purposes.

17.21. **Pushdown Accounting** – Neither AxInfra nor any of its affiliates will elect to apply pushdown accounting for the transaction (*i.e.*, the transaction will have no impact on WETT’s assets being acquired). Any incremental goodwill will not be allocated to, nor recognized within, WETT’s balance sheet.

18.22. **Transaction Costs** – Neither WETT nor AxInfra, nor any affiliate or subsidiary of AxInfra, will seek recovery of transaction costs in rates. None of the transaction costs will be borne by WETT’s customers, nor will WETT seek to include transaction costs in its rates. Transaction costs are those incremental costs paid to advance or consummate the transaction. Transaction costs do not include WETT employee time.

19.23. **Transition Costs** – No AxInfra time and expenses, third party costs, fees, expenses, or costs of the transition (“transition costs”) will be borne by WETT’s customers, nor will WETT seek to include transition costs in rates. Transition costs are those costs necessary to integrate WETT into the holdings of AxInfra, whether incurred before or after closing of the transaction, including one-time transition costs being incurred whether directly or indirectly through affiliate charges to transition WETT to ownership by AxInfra and to integrate WETT’s operations and systems with those of AxInfra. Provided, however, that transition costs do not include WETT employee time, “costs to achieve” savings or synergies or costs that reflect reasonable and necessary costs in providing service to the public. “Costs to achieve” reflect reasonable and necessary amounts incurred to realize operating enhancements, efficiency gains, or costs reduction initiatives.

Regulatory Jurisdiction

20.24. **Commission Jurisdiction** – WETT will not build transmission assets outside of ERCOT without prior Commission approval or otherwise take any action that that impairs the continuing jurisdiction of the Commission. Neither WETT, Axium, nor TIAA nor any of their affiliates will assert before the Commission or a Texas court of competent jurisdiction that the Commission is preempted pursuant to the Federal Power Act (e.g., under a FERC tariff) from making a determination regarding the cost recovery of affiliate costs sought to be allocated to WETT.

Exhibit CSG-6

Redline Version of Proposed Regulatory Commitments

24.25. Compliance Reports - For a period of five (5) years after the closing of the transaction, WETT will make annual reports to the Commission regarding its compliance with the terms stated in the order approving the transaction.

22.26. Access to Books and Records – AxInfra will provide the Commission access to its books and records, as well as those of its applicable affiliates, as necessary to facilitate the Commission's audit or review of affiliate transactions, if any, between WETT and AxInfra or any of its affiliates or subsidiaries.

23.27. Amendments to Regulatory Commitments – Any amendments to these regulatory commitments will require prior Commission approval.

28. Commission Authority - WETT, Axium, and TIAA acknowledge the Commission's jurisdiction and authority to initiate a future proceeding to modify the WETT and WETT Holdings ring fence.

LLC Agreements

29. No Speculative Trading - The Hotspur SPV, WETT Holdings, and WETT LLC Agreements will be modified to prevent any of those entities from engaging in the speculative trading of any securities or financial instruments.

30. Requirement to Abide by Commitments - The Hotspur SPV, WETT Holdings, and WETT LLC Agreements will be modified to reflect that those entities must abide by the commitments made to the Commission.

31. Amendments to LLC Agreements - This Order is contingent on the board of WETT and WETT Holdings approving the necessary amendments to their LLC agreements to effect the provisions of this Order. The proposed amendments to the LLC agreements will be filed with the Commission. To the extent thereafter that any changes are sought to the amended agreements filed with the Commission that reflect in any manner whatsoever: (i) the governance structure of either WETT or WETT Holdings or (ii) the ring fence as reflected in this Order, such changes shall be approved in a manner consistent with the provisions of the agreements and by the Commission before those changes go into effect..

Tangible and Quantifiable Benefits

32. Regulatory Liability – WETT shall create a regulatory liability to record the savings associated with having fewer board members at WETT Holdings. The annual savings shall be calculated compared to the expense incurred in 2019 and shall include

Exhibit CSG-6
Redline Version of Proposed Regulatory Commitments

compensation and travel savings. That regulatory liability will be refunded to customers in WETT's next rate case.

Alternative Recommendation

As an alternative to the "No Growth Investment" commitment that requires WETT not to build off of its endpoints, Applicants may instead agree to add disinterested directors at WETT Holdings board of directors, as described in the following commitment:

33 Governance – WETT Holdings shall add four disinterested members to its board in addition to the three directors that are currently contemplated. A disinterested directors will qualify as independent in all material respects in accordance with the rules and regulations of the New York Stock Exchange (NYSE) (which are set forth in Section 303A of the NYSE Listed Company Manual) from Axium, and its subsidiaries or affiliated entities and any entity with a direct or indirect ownership interest in WETT, and also will have no material relationship with Axium or TIAA or their subsidiaries or affiliated entities or any entity with a direct or indirect ownership interest in WETT, currently or within the previous ten years.

- a. Disinterested Director Appointment. The initial disinterested directors will be identified in a compliance filing made by WETT within 30 days after closing of the transaction. Other than the initial disinterested directors, disinterested directors will be appointed by a majority of a committee comprised of the disinterested directors.**
- b. Terms of Disinterested Directors. All disinterested directors will have a term of equal length, except the initial terms of the disinterested directors will be staggered, such that in each year no more than two of the terms of disinterested directors will expire and be filled by appointment of the committee. A person appointed to fill a disinterested director position vacant due to death, resignation, removal, or other reason other than expiration of the term of the position will serve the remainder of that term.**
- c. Disinterested Director Removal. A disinterested director may only be removed by majority vote of the remaining disinterested directors and cannot be removed by a shareholder vote.**
- d. Director Compensation/Financial Performance. The compensation of WETT Holdings directors will in no manner be tied to, reflect, or be related to the financial, operating, or other performance of any entity or interest other than WETT.**
- e. Disinterested Director Eligibility. To be eligible, a disinterested director must be a US citizen and a resident of the State of Texas.**

EXHIBIT CSG-7

**CLEAN VERSION OF PROPOSED RING-FENCING AND OTHER REGULATORY
CONDITIONS**

Exhibit CSG-7

Clean Version of Proposed Regulatory Commitments

Regulatory Commitments

The following regulatory commitments are made to the Public Utility Commission of Texas (“Commission”) in support of the Application for Sale, Transfer, or Merger for approval of a proposed transaction that, if approved and closed, will transfer ownership and control of Wind Energy Transmission Texas, LLC (“WETT”) from its current ultimate owners, Brookfield Asset Management Inc. and the Public Sector Pension Investment Board, to an indirect subsidiary of AxInfra US LP (“AxInfra”), an investment fund managed by Axium Infrastructure US Inc. (“Axium US,” and collectively with AxInfra, “Axium”).

Ring-fencing: Financial, Affiliate Interaction, and Code of Conduct

- 1. Sole Authorized Purpose** – The sole authorized purpose of WETT will be the provision of wholesale electric utility service and the performance of activities reasonably necessary and appropriate thereto. The sole authorized purpose of Hotspur SPV LLC is the indirect ownership of WETT. The sole authorized purpose of WETT Holdings LLC (“WETT Holdings”) will be the ownership of WETT and the performance of activities reasonably necessary and appropriate to exercise such ownership. The sole authorized purpose of Hotspur HoldCo 2 LLC (“Hotspur 2”) will be the ownership of WETT Holdings and the sole authorized purpose of Hotspur HoldCo 1 LLC (“Hotspur 1”) will be the ownership of ROADIS WETT Corp. and in each case the performance of activities reasonably necessary and appropriate to exercise such ownership
- 2. Best Interest of Utility** – The WETT/WETT Holdings board of directors have the duty to act, subject to applicable Texas law, in the best interests of WETT.
- 3. Name and Logo** – WETT will maintain a separate name and logo from Axium, TIAA and all other Axium and TIAA subsidiaries and affiliates.
- 4. Pledging of Assets/Stock** – WETT’s assets or revenues shall not be pledged by Axium or any of its affiliates or subsidiaries for the benefit of any entity other than WETT. Without prior approval of the Commission, neither Axium, TIAA, nor any of their affiliates or subsidiaries (excluding WETT) will incur, guaranty, or pledge assets with respect to any incremental new debt at the closing or thereafter that is dependent on: (1) the revenues of WETT in more than a proportionate degree than the other revenues of Axium, TIAA or the affiliate in question; or (2) the ownership of WETT
- 5. No Inter-Company Debt or Lending** – WETT, will not lend money to or borrow money from Axium, TIAA or any of their affiliates or subsidiaries.

Exhibit CSG-7

Clean Version of Proposed Regulatory Commitments

- 6. Credit Facility** –None of WETT, WETT Holdings, Hotspur 1, or Hotspur 2 will be borrowers under a common credit facility with one another, nor with Axium, TIAA or their affiliates or subsidiaries.
- 7. Cross-Default provisions** – WETT will not include in any of its debt or credit agreements cross-default provisions relating to Axium, TIAA or any of their affiliates or subsidiaries. Under no circumstances will any debt of WETT become due and payable or otherwise be rendered in default because of any cross-default or similar provisions of any debt or other agreement of Axium, TIAA or any of their affiliates or subsidiaries.
- 8. Affiliate Asset Transfer** –WETT will not transfer material assets to affiliates other than in a transfer that is at an arm's length basis consistent with the Commission's affiliate standards applicable to WETT.
- 9. Separate Books and Records** – WETT will maintain accurate, appropriate, and detailed books, financial records and accounts, including checking and other bank accounts, and custodial and other securities safekeeping accounts that are separate and distinct from those of any other entity.
- 10. Code of Conduct** – WETT will file with the Commission for authority to amend and update its code of conduct to incorporate all applicable conditions and limitations on affiliate transactions required by these regulatory commitments.
- 11. Credit Ratings Agencies** – WETT and Axium shall take the actions necessary to ensure the existence of WETT's standalone credit and debt ratings. WETT will, except as otherwise approved by the Commission, be registered with major nationally and internationally recognized bond rating agencies, such as Standard & Poor's, Moody's Investor Service, and Fitch Ratings.
- 12. Dividend Restriction** - If either (a) WETT's credit rating from a major rating agency falls below BBB (Baa2) or (b) WETT is not rated by a major rating agency and WETT's cash from operations pre-working capital/Debt metric falls below 13% in any year, then WETT will suspend payment of dividends or other distributions, except for contractual tax payments, until otherwise allowed by the Commission. Additionally, the WETT Holdings board shall withhold dividends if it believes that is in the best interest of the utility. In addition, neither Axium, TIAA nor any of their affiliates will issue stock or ownership interests that supersede the foregoing obligations of WETT. WETT shall notify the Commission if either WETT's or WETT Holdings' issuer rating or corporate rating as rated by any of agencies rating WETT or WETT Holdings falls below its current level as of 5/1/2020.

Exhibit CSG-7

Clean Version of Proposed Regulatory Commitments

- 13. No New Debt at WETT Holdings** - No additional debt related to this transaction will be incurred at WETT or WETT Holdings. No additional debt may be incurred at WETT Holdings, and the existing debt at WETT Holdings will be paid off as soon as practical, but no later than the end of 2024.
- 14. No Growth Investment** – WETT agrees if it is not rated by one of the three major ratings agencies, then so long as the percentage of consolidated debt at WETT Holdings is greater than the percentage of debt included in WETT's capital structure in its most recent rate case, it will forego its option to build off of any of its endpoints. This commitment does not include any project for which WETT has filed an application to amend its CCN as of 5/1/2020.

Employees, Local Community, and Texas

15. Capital Expenditures – WETT will continue to make minimum capital expenditures in an amount equal to WETT's current five-year budget for the five year period beginning January 1 2021, subject to the following qualifications, which shall be reported to the Commission in WETT's earnings monitoring report: WETT may reduce capital spending due to conditions not under WETT's control, including, without limitation, siting delays, cancellations of projects by third-parties, weaker than expected economic conditions, or if WETT determines that a particular expenditure would not be prudent.

16. Headquarters – WETT's existing headquarters will remain in Austin, Texas for so long as AxInfra owns WETT.

17. Management Day-to-Day Control – WETT's CEO and WETT's senior management will continue to have day-to-day control over WETT's operations.

18. Continued Ownership – AxInfra will maintain a controlling ownership interest in WETT for at least 5 years post-closing.

19. Workforce – For at least 2 years post-closing, as a result of the transaction, WETT will not implement any material involuntary workforce reductions or changes to wages, benefits, and other terms and conditions of employment in effect prior to the transaction.

Accounting and Ratemaking

20. Goodwill – WETT will not seek recovery in rates of any transaction acquisition premium. Any goodwill associated with the transaction will not be included in rate base, cost of capital, or operating expenses in future WETT ratemaking proceedings. Write-

Exhibit CSG-7

Clean Version of Proposed Regulatory Commitments

downs or write-offs of goodwill will not be included in the calculation of net income for dividend or other distribution payment purposes.

21. Pushdown Accounting – Neither AxInfra nor any of its affiliates will elect to apply pushdown accounting for the transaction (*i.e.*, the transaction will have no impact on WETT's assets being acquired). Any incremental goodwill will not be allocated to, nor recognized within, WETT's balance sheet.

22. Transaction Costs – Neither WETT nor AxInfra, nor any affiliate or subsidiary of AxInfra, will seek recovery of transaction costs in rates. None of the transaction costs will be borne by WETT's customers, nor will WETT seek to include transaction costs in its rates. Transaction costs are those incremental costs paid to advance or consummate the transaction. Transaction costs do not include WETT employee time.

23. Transition Costs – No AxInfra time and expenses, third party costs, fees, expenses, or costs of the transition (“transition costs”) will be borne by WETT's customers, nor will WETT seek to include transition costs in rates. Transition costs are those costs necessary to integrate WETT into the holdings of AxInfra, whether incurred before or after closing of the transaction, including one-time transition costs being incurred whether directly or indirectly through affiliate charges to transition WETT to ownership by AxInfra and to integrate WETT's operations and systems with those of AxInfra. Provided, however, that transition costs do not include WETT employee time, “costs to achieve” savings or synergies or costs that reflect reasonable and necessary costs in providing service to the public. “Costs to achieve” reflect reasonable and necessary amounts incurred to realize operating enhancements, efficiency gains, or costs reduction initiatives.

Regulatory Jurisdiction

24. Commission Jurisdiction – WETT will not build transmission assets outside of ERCOT without prior Commission approval or otherwise take any action that that impairs the continuing jurisdiction of the Commission. Neither WETT, Axium, nor TIAA nor any of their affiliates will assert before the Commission or a Texas court of competent jurisdiction that the Commission is preempted pursuant to the Federal Power Act (e.g., under a FERC tariff) from making a determination regarding the cost recovery of affiliate costs sought to be allocated to WETT.

25. Compliance Reports - For a period of five (5) years after the closing of the transaction, WETT will make annual reports to the Commission regarding its compliance with the terms stated in the order approving the transaction.

Exhibit CSG-7

Clean Version of Proposed Regulatory Commitments

26. Access to Books and Records – AxInfra will provide the Commission access to its books and records, as well as those of its applicable affiliates, as necessary to facilitate the Commission's audit or review of affiliate transactions, if any, between WETT and AxInfra or any of its affiliates or subsidiaries.

27. Amendments to Regulatory Commitments – Any amendments to these regulatory commitments will require prior Commission approval.

28. Commission Authority - WETT, Axium, and TIAA acknowledge the Commission's jurisdiction and authority to initiate a future proceeding to modify the WETT and WETT Holdings ring fence.

LLC Agreements

29. No Speculative Trading - The Hotspur SPV, WETT Holdings, and WETT LLC Agreements will be modified to prevent any of those entities from engaging in the speculative trading of any securities or financial instruments.

30. Requirement to Abide by Commitments - The Hotspur SPV, WETT Holdings, and WETT LLC Agreements will be modified to reflect that those entities must abide by the commitments made to the Commission.

31. Amendments to LLC Agreements - This Order is contingent on the board of WETT and WETT Holdings approving the necessary amendments to their LLC agreements to effect the provisions of this Order. The proposed amendments to the LLC agreements will be filed with the Commission. To the extent thereafter that any changes are sought to the amended agreements filed with the Commission that reflect in any manner whatsoever: (i) the governance structure of either WETT or WETT Holdings or (ii) the ring fence as reflected in this Order, such changes shall be approved in a manner consistent with the provisions of the agreements and by the Commission before those changes go into effect..

Tangible and Quantifiable Benefits

32. Regulatory Liability – WETT shall create a regulatory liability to record the savings associated with having fewer board members at WETT Holdings. The annual savings shall be calculated compared to the expense incurred in 2019 and shall include compensation and travel savings. That regulatory liability will be refunded to customers in WETT's next rate case.

Exhibit CSG-7

Clean Version of Proposed Regulatory Commitments

Alternative Recommendation

As an alternative to the “No Growth Investment” commitment that requires WETT not to build off of its endpoints, Applicants may instead agree to add disinterested directors at WETT Holdings board of directors, as described in the following commitment:

33 Governance – WETT Holdings shall add four disinterested members to its board in addition to the three directors that are currently contemplated. A disinterested directors will qualify as independent in all material respects in accordance with the rules and regulations of the New York Stock Exchange (NYSE) (which are set forth in Section 303A of the NYSE Listed Company Manual) from Axium, and its subsidiaries or affiliated entities and any entity with a direct or indirect ownership interest in WETT, and also will have no material relationship with Axium or TIAA or their subsidiaries or affiliated entities or any entity with a direct or indirect ownership interest in WETT, currently or within the previous ten years.

- a. Disinterested Director Appointment. The initial disinterested directors will be identified in a compliance filing made by WETT within 30 days after closing of the transaction. Other than the initial disinterested directors, disinterested directors will be appointed by a majority of a committee comprised of the disinterested directors.
- b. Terms of Disinterested Directors. All disinterested directors will have a term of equal length, except the initial terms of the disinterested directors will be staggered, such that in each year no more than two of the terms of disinterested directors will expire and be filled by appointment of the committee. A person appointed to fill a disinterested director position vacant due to death, resignation, removal, or other reason other than expiration of the term of the position will serve the remainder of that term.
- c. Disinterested Director Removal. A disinterested director may only be removed by majority vote of the remaining disinterested directors and cannot be removed by a shareholder vote.
- d. Director Compensation/Financial Performance. The compensation of WETT Holdings directors will in no manner be tied to, reflect, or be related to the financial, operating, or other performance of any entity or interest other than WETT.
- e. Disinterested Director Eligibility. To be eligible, a disinterested director must be a US citizen and a resident of the State of Texas.

EXHIBIT CSG-8

APPLICANTS' RESPONSES TO RFIS

PUC DOCKET NO. 50584
AXINFRA US LP's
RESPONSES TO TIEC'S 1ST RFIs

TIEC-AXINFRA 1-7

Identify the individuals who manage each LLC listed in Exhibit A Figure 2 of the Application.

Response:

The individuals identified below are

- 730 Hotspur, LLC: Officers will be Andrew Deihl (President) and Julie Findlay (Vice President).
- Hotspur SPV LLC: Members of the Board of Managers will be Thierry Vandal, Paulo Arencibia and Julie Findlay. Officers will be Paulo Arencibia (President), Ben Ellis (Vice President), Stéphane Mailhot (Treasurer), Jean Eric Laferrière (Secretary), Anick Sivret (Assistant Treasurer) and Maude Mondou (Vice President, Tax Compliance).
- Hotspur HoldCo 2 LLC: No individuals are managers. Officers will be Paulo Arencibia (President), Ben Ellis (Vice President), Stéphane Mailhot (Treasurer), Jean Eric Laferrière (Secretary), Anick Sivret (Assistant Treasurer) and Maude Mondou (Vice President, Tax Compliance).
- Hotspur HoldCo 1 LLC: No individuals are managers. Officers will be Paulo Arencibia (President), Ben Ellis (Vice President), Stéphane Mailhot (Treasurer), Jean Eric Laferrière (Secretary), Anick Sivret (Assistant Treasurer) and Maude Mondou (Vice President, Tax Compliance).
- WETT Holdings LLC: Members of the Board of Managers will be Thierry Vandal, Paulo Arencibia and Julie Findlay. There are no officers.
- Wind Energy Transmission Texas, LLC: No individuals are managers. Officers will be Wayne Morton (Chief Executive Officer), Deborah Sterzing (Vice President, Finance and Regulatory), Antonio Ansede (Vice President, Engineering and Construction), and Julius Horvath (Vice President, Transmission Services).

Preparer: Paulo Arencibia, Investment Director for Axium Infrastructure US Inc.

Sponsor: Thierry Vandal, President of Axium Infrastructure US Inc.

Information specific to Wind Energy Transmission Texas, LLC was prepared by WETT.

Preparer/Sponsor: L. Wayne Morton, CEO, Wind Energy Transmission Texas, LLC

PUC DOCKET NO. 50584
AXINFRA US LP's
RESPONSES TO TIEC'S 2ND RFIs

TIEC-AXINFRA 2-4

Provide a detailed explanation of how future equity needs for WETT will be funded and how those decisions will be made. Please include an explanation of the role(s) of any boards or other decision-making bodies in the organizational chain from WETT up to and including AxInfra and TIAA. Please specifically identify and describe the role of each entity that will have to approve supplying equity to WETT.

Response:

As has been the case historically, the expectation is that all future equity needs for WETT will be funded from cash flow produced by WETT's regulated rates.

WETT performs a five-year capital expenditure forecast. Cash on hand after all expenses is forecasted on an annual basis to be sufficient to meet forecasted equity needs, and to the extent necessary will be applied or reserved to meet such equity needs before being distributed to WETT Holdings. WETT also maintains, and will continue to maintain, adequate additional liquidity through available credit facilities.

In the unlikely case that such sources are not sufficient to meet the equity needs of WETT, the equity needs will be funded by its ultimate owners, AxInfra and 730 Hotspur, LLC in accordance with their respective ownership interests.

As an open-end fund, AxInfra continuously raises capital from investors and seeks to maintain at all times committed capital at least equal to two years of anticipated capital needs. The general partner of AxInfra has the right to call on the capital commitments of AxInfra's investors to obtain capital to invest in WETT.

730 Hotspur is an indirect wholly owned subsidiary of Teachers Insurance and Annuity Association of America, a Fortune 100 financial services organization and the leading provider of financial services in the academic, research, medical, cultural and governmental fields, with over \$1 trillion in assets.

Decisions to invest additional capital in WETT will rely heavily on the recommendation of the experienced senior management team of WETT and will be made by the boards of managers of WETT Holdings LLC and Hotspur SPV LLC. As these boards are comprised of the same individuals, as a practical matter the investment decision will constitute a single action, even though formally taken by two boards.

Prepared by: Paulo Arencibia, Investment Director for Axium Infrastructure US Inc.
Sponsored by: Thierry Vandal, President of Axium Infrastructure US Inc.

PUC DOCKET NO. 50584
AXINFRA US LP's
RESPONSES TO TIEC'S 3rd RFIs

TIEC-AXINFRA 3-4

Please refer to the “Notwithstanding” language regarding additional capital contributions at page 3 of Ex. TV-3. Please explain why AxInfra and TIAA retain the right to not fund capital investments for WETT. If each of the initial members declines to fund additional capital investments, please explain how WETT will acquire any needed equity capital.

Response:

The provision cited is in a term sheet that summarizes the rights and obligations of the members of Hotspur SPV LLC as against each other. In essence it provides that no member can bring an action against another to compel the latter to make a capital contribution to which it has not consented. However, the provision, which is typical for limited liability companies of this type, must be read in the context of the entire section of the term sheet (entitled “Additional Capital Contributions”) of which it is a part. A member that does not elect to make a capital contribution that has been approved by the board will ultimately have its interest diluted.

The only situation in which both members would decline to make a capital contribution is one in which the board has not approved such contribution. In that connection, please refer to our response to TIEC-AxInfra 2-4.

Prepared by: Paulo Arencibia, Investment Director for Axium Infrastructure US Inc.

Sponsored by: Thierry Vandal, President of Axium Infrastructure US Inc.

PUC DOCKET NO. 50584
AXINFRA US LP's
RESPONSES TO TIEC'S 7th RFIs

TIEC-AXINFRA 7-3

What credit rating agency will be rating the debt at WETT and WETT Holdings post-transaction? Has that agency provided indicative ratings for the debt at WETT and WETT Holdings? If so, please provide the rating agency evaluation of that debt.

Response:

DBRS Morningstar (DBRS) will be rating the debt at WETT and WETT Holdings post-transaction.

For the indicative ratings letter for WETT and WETT Holdings, please see TIEC-AXINFRA 7-3 Attachment (HSPM). Highly Sensitive Protected Material will be provided in accordance with the terms of the Protective Order issued in this docket.

Prepared by: Paulo Arencibia, Investment Director for Axium Infrastructure US Inc.
Sponsored by: Thierry Vandal, President of Axium Infrastructure US Inc.

PUC DOCKET NO. 50584
AXINFRA US LP's
RESPONSES TO TIEC'S 6th RFIs

TIEC-AXINFRA 6-1

Please provide the basis for the post-closing capitalization targets provided in response to TIEC-AXINFRA 1-3. Please explain the purpose and need for additional debt at each of the entities upstream from WETT.

Supplemental Response:

AxInfra examined the existing debt structure above WETT and determined that there was capacity for an amount of additional debt to be incurred to support AxInfra's acquisition of WETT, while still maintaining a post-closing capital structure that will reflect a lower percentage of consolidated debt to consolidated capitalization than the pre-closing capital structure. This is consistent with AxInfra's investment philosophy and experience with assets such as WETT and, in AxInfra's experience, consistent with approaches taken by other substantial and experienced infrastructure investors generally.

Response:

The contemplated post-closing capitalization reflects AxInfra's judgment, as an experienced infrastructure investor, of an appropriate, prudent capital structure for this investment, taking into consideration the historic and projected operating results of WETT and the cost of capital. It is consistent with the approach taken in other AxInfra investments and, in AxInfra's experience, by other substantial and experienced infrastructure investors generally.

AxInfra notes that, as set forth in the response to TIEC-AxInfra 1-3, the contemplated post-closing capital structure reflects a lower percentage of consolidated debt to consolidated equity than the pre-closing capital structure.

Prepared by: Paulo Arencibia, Investment Director for Axium Infrastructure US Inc.
Sponsored by: Thierry Vandal, President of Axium Infrastructure US Inc.

PUC DOCKET NO. 50584
WIND ENERGY TRANSMISSION TEXAS, LLC's RESPONSE TO TIEC's 3rd RFIs

TIEC-WETT 3-1

Please list and describe each tangible and quantifiable benefit that the proposed transaction will provide for Texas ratepayers and quantify the total amount of those benefits. Please provide all workpapers and documentation underlying your answer.

Response:

As a threshold matter, the statutory considerations in this proceeding regarding the public interest relate to a lack of adverse impacts; none requires an affirmative showing of “tangible and quantifiable benefits.” These statutory considerations are laid out explicitly in the public interest test mandated by PURA §§ 39.262(m) and 39.915(b): whether the “transaction will adversely affect the … reliability … availability [or] … cost of service.” Similarly, statutory considerations under PURA §§ 14.101 include the reasonable value of the property to be acquired, whether there are adverse impacts to the health or safety of customers or employees, whether jobs will be transferred from citizens of this state to workers domiciled outside the state, whether it would cause any decline in service, and whether WETT’s owners will receive consideration equal to the value of the assets. Accordingly, the Preliminary Order in this proceeding does not include any requirement to address “tangible and quantifiable benefits.”

Regardless, WETT has identified various benefits to the proposed transaction, both qualitative and quantitative, as explained in the application package. See, e.g., application cover pleading at 10, Ex. A (Application Form) at 3, Ex. B (Direct Testimony of Wayne Morton) at 17, and Ex. C (Direct Testimony of Thierry Vandal) at 17 and Exhibit TV-4. Specific benefits include the following:

- Savings are expected to be recognized by virtue of streamlining WETT Holding’s Board of Managers. With all of WETT Holdings’ individual managers more likely to be located in one U.S. city, travel and associated Board meetings should be more efficient and less expensive. Further, fewer board members means less redundancy in time and travel costs, fewer associated affiliate charges/transactions, and streamlined affiliate recordkeeping. While WETT has not quantified these benefits, they should exceed the benefits noted in WETT’s prior approved STM proceeding. See Docket No. 45278, *Application of Wind Energy Transmission Texas, LLC for Regulatory Approval of Partial Change in Ownership* (Feb. 16, 2016).
- Axium does not own competitive energy assets in Texas, so if its indirect acquisition of WETT is approved, any concerns regarding potential competitive affiliate dealings with WETT would be minimized. (Through WETT’s current ultimate owners, Brookfield Asset Management Inc. and the Public Sector Pension Investment Board, WETT has a number of competitive affiliates at this time, as reported in its current Compliance Plan.)
- Axium’s addition to the market also has the benefit of diversifying, instead of further consolidating, Texas’ utility asset ownership.

- WETT's buyers have pledged 23 regulatory commitments, each of which benefit the utility and its ratepayers. For example, the commitment to make minimum capital expenditures ensures WETT invests sufficiently in its infrastructure to the benefit of those who use its facilities. The commitment to maintain headquarters in Austin, TX, and avoid involuntary workforce reductions benefit Texans through property tax payments and jobs for workers domiciled in Texas.

WETT does not have workpapers quantifying the impact of these various benefits.

In addition to the benefits discussed herein, the lack of adverse impacts caused by the proposed transaction is notable, consistent with the applicable statutory considerations described above. WETT's ownership would simply change from two infrastructure managers with extensive experience operating utilities (one that is a pension investment manager), to one infrastructure manager with extensive experience operating utilities (with investment from a pension investment manager who also has significant relevant experience). WETT's corporate governance – approved less than five years ago in Docket No. 45278 – is going to be simplified, as opposed to further complicated. WETT entities and Axium entities will retain their separate corporate identities, names, logos, books and records, and comply with applicable affiliate rules. WETT's next rate case is anticipated to be filed on current schedules. WETT's current leadership will be retained. No changes in WETT's employees; day-to-day operations; facilities; service quality, availability, or cost; or rates will result from this transaction.

Please also refer to the response to TIEC-AXINFRA RFI No. 4-1.

Prepared/Sponsored by: L. Wayne Morton, CEO, WETT

PUC DOCKET NO. 50584
WIND ENERGY TRANSMISSION TEXAS, LLC's RESPONSE TO TIEC's 6th RFIs

TIEC-WETT 6-1

Please provide by year for the last five years the actual return on equity achieved by WETT. Please provide the calculation for each year.

Response:

WETT's actual return on equity and supporting calculations for 2019 are not yet available; WETT will supplement this response. Please note that in Docket No. 48874 WETT agreed to a \$16,000,000 annual rate credit that was effective on January 1, 2019.

WETT's actual return on equity for the year 2018 was 13.46%. Please see its relevant Earnings Monitoring Report ("EMR") for calculations, publicly available at http://interchange.puc.texas.gov/Documents/49355_11_1018232.PDF. Please see also the attached calculations in native format, attached as Confidential Exhibit 1. Please note that following the Tax Cuts and Jobs Act of 2017, in Docket No. 48127, WETT agreed to a one-time rate credit rider of \$1,783,610 for the period from January 25, 2018 through March 30, 2018, and an annual \$9,662,905 rate credit rider that was effective on April 1, 2018.

WETT's actual return on equity for the year 2017 was 12.43%. Please see its relevant EMR for calculations, publicly available at http://interchange.puc.texas.gov/Documents/48158_18_980030.PDF.

WETT's actual return on equity for the year 2016 was 11.25%. Please see its relevant EMR for calculations, publicly available at http://interchange.puc.texas.gov/Documents/46910_11_940196.PDF.

WETT's actual return on equity for the year 2015 was 9.17%. Please see its relevant EMR for calculations, publicly available at http://interchange.puc.texas.gov/Documents/45636_15_893947.PDF.

Prepared/Sponsored by: L. Wayne Morton, CEO, WETT

CONFIDENTIAL MATERIAL INDEX

ITEM NO.	DATE(S)	TITLE/DESCRIPTION	PAGE RANGE
1.	--	ROE Calculations, Native Format (Confidential)	--

TIEC-WETT 7-2

Does WETT believe it is appropriate for the Kroll Bond Rating Agency (KBRA) to evaluate WETT and WETT Holdings debt under its project finance methodology as opposed to KBRA's [sic] corporate ratings methodology? If yes, please explain why WETT believes it is appropriate to evaluate WETT debt under a project finance methodology.

Response:

Yes, WETT and WETT Holdings were appropriately evaluated by KBRA.

KBRA is an independent, experienced firm registered with the U.S. Securities and Exchange Commission as a Nationally Recognized Statistical Rating Organization and comprised of former S&P rating agency analysts, among other experienced credit market professionals. KBRA concluded it was appropriate to evaluate "WETT using the KBRA Global Project Finance Rating Methodology published November 28, 2017." See Response to TIEC-WETT RFI 5-7, Item 7, p. 3 (KBRA's rating of WETT, Confidential); see also TIEC-WETT RFI 6-2 Bates No. WETT 067236 - WETT 067249 (KBRA's Global Project Finance Rating Methodology, Confidential).² KBRA noted WETT's structure "includes elements that are common across traditional project finance transactions." See Response to TIEC-WETT RFI 5-7, Item 7, p. 6, 10 (Confidential). WETT agrees with KBRA's independent conclusions.

Prepared/Sponsored by: L. Wayne Morton, CEO, WETT

² Additional public information regarding KBRA's practices with respect to its corporate ratings methodology and regulated utilities is available here: <https://www.businesswire.com/news/home/20131119006177/en/Kroll-Bond-Rating-Agency-Publishes-Corporate-Finance>.

TIEC-WETT 7-3

Please list the salient characteristics of WETT that justify evaluating WETT debt under a project finance methodology.

Response:

WETT is a single operating company operating under a single holding company with contractual and governance limitations in place limiting leveraging that may be incurred and preventing expansion into other business lines or activities. In addition, WETT owns and operates territory-defined, transmission-only facilities and its ability to expand is limited by these existing assets and applicable rules and laws. Please see the response to TIEC-WETT 7-2 and TIEC-WETT 7-5 Bates No. WETT 068607-068609.

Prepared/Sponsored by: L. Wayne Morton, CEO, WETT

TIEC-WETT 7-5

Please provide all documents and emails exchanged between WETT and Societe Generale relative to WETT's evaluation of changing credit ratings agencies.

Response:

Please see responsive documents produced in response to TIEC-WETT 6-2. Additional responsive documents are designated as confidential or highly sensitive confidential and will be provided consistent with the terms of the Protective Order and Commission rules.

Please attached Confidential Materials Indexes.

Prepared/Sponsored by: L. Wayne Morton, CEO, WETT

EXHIBIT CSG-8

APPLICANTS' RESPONSES TO RFIS

(HSPM)

PROVIDED TO PARTIES PURSUANT TO

THE PROTECTIVE ORDER