

DEPARTMENT OF PUBLIC SERVICE REGULATION
BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MONTANA

* * * * *

IN THE MATTER of the
Consolidated Petition by Mountain
Water Company for Declaratory
Rulings and Application for Approval
of Sale and Transfer of Stock in
Park Water Company

UTILITY DIVISION

DOCKET NO. D2011.1.8

PRE FILED TESTIMONY OF

JOHN ENGEN,

CITY OF MISSOULA MAYOR

JUNE 13, 2011

Affidavit of John Engen, Mayor of the City of Missoula

1. What is your name and title?
I am City of Missoula Mayor John Engen, and as affiant, being first duly sworn upon oath and according to law, I depose and answer the questions presented herein:
2. What is the City of Missoula's current, approximate population?
The City of Missoula has about 67,000 residents.
3. How long have you served as Mayor of the City of Missoula?
I am currently in my second four-year term as Mayor of the City of Missoula. I was elected by a majority of Missoula voters in 2005 and re-elected in 2009. As prescribed by the City of Missoula's charter, I am the City's chief executive officer, and I serve full-time as mayor.
4. Have you ever held any other elective office in City of Missoula government?
Before serving as mayor, I was a Missoula City Council member representing Ward 1 from 2002 until 2006. Ward 1 primarily served the Rattlesnake Valley and the northeast portion of the City of Missoula. Council wards have a greater population than each of Montana's state House of Representatives districts.
5. Is the City of Missoula interested in purchasing, owning, operating, and administering the Missoula community's public water system?
Yes, the City of Missoula is interested in purchasing, owning, operating, and administering its public water system. I believe that the City of Missoula is the only major municipality in Montana that does not own its water system.
6. Why are you interested in acquiring the Mountain Water Company water system?
Fundamentally, access to clean, safe drinking water is critical to the health and welfare of all human beings. Management of

that fundamental resource should not be the province of a private corporation beholden to distant investors or stockholders, but rather a public utility. I, and many other City of Missoula elected officials and citizens, strongly believe that a community's water system is a public asset that is best owned and operated by the public, through municipal government.

7. Does the City of Missoula have experience owning, operating, and maintaining a municipal, public utility?

The City of Missoula has decades of experience in owning, operating, and maintaining public utilities, including a wastewater treatment facility that serves properties both in and outside of the city limits.

8. What are some of your reasons for desiring that the City of Missoula own, operate, and maintain the public water system serving the City of Missoula?

I believe that the City of Missoula would provide more accountability and customer accessibility to the public water system's board of directors. There is a higher level of accountability to consumers when utilities are publicly owned. For example, pursuant to subsection 69-7-111(3), MCA, Montana municipal utilities are required to provide mailed notice of any proposed rate increases to all persons served by the municipal utility. This level of notification is not required of private utilities in Montana. In Missoula, the board of directors for our wastewater utility are the Mayor and the Missoula City Council, which are directly elected by ratepayers, are inside the city of Missoula, and regularly meets nearly every week. Further, the level of public-transparency is higher for a municipal utility because the weekly city council meetings are held publicly, and are televised.

9. Would the City of Missoula have any different operational motives with respect to the Missoula community's water system?

Public, government utilities have some different operational motives. Public government utilities are not operated for generating annual profits for its owners, but instead public government utilities are operated for efficiency, service, and sustainability. Because there is no profit motive, public

government utilities typically cost less to operate and maintain. Also, because there is no profit motive, there's little incentive for a municipality to consider sale of a utility, which further ensures stability and accountability for its customers.

10. Currently, does the City of Missoula regularly work cooperatively with Mountain Water Company in any areas?

Yes, the City of Missoula currently works cooperatively with Mountain Water Company in several respects and does thereby have some knowledge about Mountain Water's Missoula community water system operations. The City of Missoula currently works in cooperation with Mountain Water Company by generally serving the Missoula community in such areas as: (A) requests for water system expansions; (B) fire hydrant locations; (C) excavation permits; (D) coordinated repair and maintenance of water line work, especially in advance of any street projects that the City may be planning; (E) utilizing water from fire hydrants for street sweeping and cleaning; (F) coordinating underground utility structure replacement, repair, and improvements; and (G) park and field irrigation.

11. Would the City of Missoula potentially have a greater interest in water-conservation measures than a privately-owned community water company has?

Yes. Again, because there is no profit motive, a public water utility is predisposed to a greater interest in water-conservation measures, including metered water and water-efficient fixtures and landscaping.

12. Do you believe that the City of Missoula would have the financial ability to purchase, operate, and maintain Mountain Water Company?

Yes. Based on preliminary analysis, I believe that the City of Missoula has the financial capacity and the political will to purchase, own, operate, administer, and maintain Mountain Water Company on behalf of and in the best interest of the citizens of Missoula.

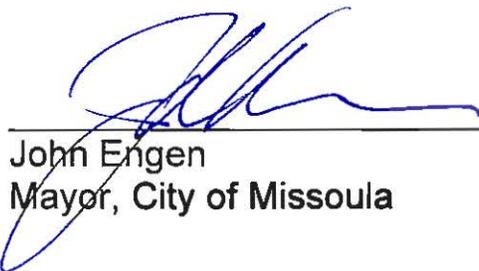
13. Do you believe that the City of Missoula should be afforded a reasonable opportunity to purchase Mountain Water Company?

Yes, I believe that the City of Missoula should have a reasonable opportunity to purchase Mountain Water Company. I believe that the City of Missoula should have the opportunity to negotiate a reasonable good-faith purchase of Mountain Water Company with the Carlyle Group, if the Carlyle Group is both successful in acquiring Mountain Water Company and is interested in and/or chooses to sell the private water company serving the Missoula community. I believe that this opportunity should be afforded to the City of Missoula at such time as the Carlyle Group decides to sell either Mountain Water Company or Park Water Company.

14. Do you believe that Montana municipal water systems should be owned by Montanans?

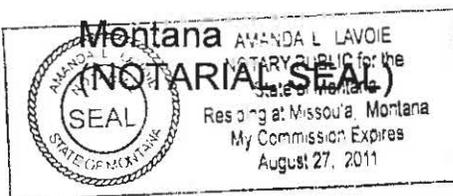
Yes. I believe that this is an important aspect and asset of Montana municipal water systems, especially in regard to awareness of Montana environmental and economic conditions and Montana water rights laws.

DATED this 13th day of June, 2011.



John Engen
Mayor, City of Missoula

SUBSCRIBED AND SWORN TO before me this 13th day of June, 2011, in the county of Missoula.





NOTARY PUBLIC for the State of Montana
Residing at: Missoula, Montana
My Commission Expires: 8-27-11

CERTIFICATE OF SERVICE

I hereby certify that on the 13th day of June, 2011, I mailed a true and correct copy of the foregoing petition as follows:

Arvid Hiller
Mountain Water Company
1345 W. Broadway
PO Box 4826
Missoula, MT 59806-4826
(U.S. Mail only)

John Alke
Hughes, Kellner, Sullivan & Alke
40 W. Lawrence, Suite A
PO Box 1166
Helena, MT 59624-1166
jalke@hkslaw.com

Thorvald A. Nelson
Holland & Hart LLP
6380 South Fiddlers Green Circle, Suite 500
Greenwood Village, CO 80111
tnelson@hollandhart.com

Kate Whitney
Public Service Commission
1701 Prospect Avenue
PO Box 202601
Helena, MT 59620-2601
(e-filed, plus original)

Electronic service only:
ramoody@hollandhart.com

Robert A. Nelson
Montana Consumer Counsel
111 North Last Chance Gulch, Suite 1B

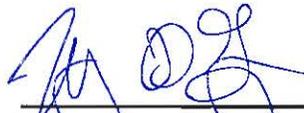
PO Box 201703
Helena, MT 59620-1703
mwright@mt.gov

Bryan D. Lin
The Carlyle Group
520 Madison Avenue, 41st Floor
New York, NY 10022
bryan.lin@carlyle.com

Jim Larocque, CFA
The Carlyle Group
520 Madison Avenue
New York, NY 10022
jim.larocque@carlyle.com

William Mercer
Holland & Hart LLP
401 North 31st Street, Suite 1500
PO Box 639
Billings, MT 59103-0639
wwmerc@hollandhart.com

Barbara Hall, Legal Director
Clark Fork Coalition
140 S. 4th Street West, Unit 1
PO Box 7593
Missoula, MT 59801
barbara@clarkfork.org



Misty Gaubatz
Legal Secretary