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	)))))	REGULATORY DIVISION Docket No. D2011.1.8

CARLYLE INFRASTRUCTURE PARTNERS, LP'S SECOND SUPPLEMENTAL RESPONSES TO THE FIRST SET OF DATA REQUESTS FROM THE MONTANA PUBLIC SERVICE COMMISSION

Carlyle Infrastructure Partners, LP ("Carlyle"), by and through its undersigned counsel, hereby submits to the Montana Public Service Commission ("Commission") these second supplemental responses to the first set of data requests from the Montana Public Service Commission.

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PSC-009 Regarding: Capital structure, dividend policy
Witness: Dove

a. If Carlyle acquires Park, what will be the target capital structures for Park and for Mountain Water?

RESPONSE: Carlyle has no plans to change the target capital structure of Park or Mountain Water as the result of Park's acquisition by Carlyle. Currently, Park has an equity percentage of approximately 55 percent, which is allocated to its subsidiaries for ratemaking purposes.

b. Does Carlyle intend to maintain or improve the current capital structure of Park and Mountain? If not, explain why Carlyle will operate the utility with a different capital structure.

RESPONSE: See Carlyle's response to PSC-009(a).

c. What will be the dividend policy of the parent company of Park Water (believed to be Western Water)? Please provide a copy of policy if one exists.

RESPONSE: Western Water does not have a formal dividend policy. Any dividend distribution will be balanced against the need to fund the business and operations and to maintain financial health of the utilities. Before making a dividend distribution, Carlyle will also consider the extent to which a dividend distribution would result in a deviation from Park Water's target capital structure.

d. What is the estimated annual return that investors expect to make from the Park Water acquisition?

RESPONSE: Carlyle's investors anticipate potential returns from two sources. First, Carlyle investors anticipate potential returns on the acquisition premium paid to Park Water Company's owners if and to the extent Carlyle make a future sale of Park Water Company stock to another owner or owners. The gain Carlyle may realize in the future associated with a sale to another owner or owners is impossible to predict with any certainty at this time. Second, Carlyle investors anticipate an opportunity to realize a return on new equity capital invested in Mountain Water that is at or near an authorized rate of return on equity. Carlyle anticipates that an authorized rate of return on equity will be set from time to time by the Montana Public Service Commission in Mountain Water rate cases. For more information on Carlyle's estimated returns associated with the proposed investment in Park Water Company, please see Carlyle's response to MCC-004.

e. If Park Water were to produce post-acquisition returns to Carlyle that are consistent with Carlyle's other infrastructure fund investments, what would those returns be annually?

RESPONSE: Carlyle objects to the data request as irrelevant because it is not reasonably likely to lead to the discovery of admissible evidence to the extent this data request seeks information regarding Carlyle's expected or achieved returns on investments that are both unregulated and not at issue in this proceeding. Carlyle further objects to this data request as irrelevant because it depends upon the unsupported and unsupportable assumption that expected or realized returns in unregulated business bear any relationship to expected or realized returns in regulated businesses. For more information on Carlyle's anticipated returns associated with the investment in Park Water Company, the entity at issue in this proceeding, please see Carlyle's response to MCC-004.

SUPPLEMENTAL RESPONSE: At this point, Carlyle Infrastructure has not completed the sale of any of its holdings, and therefore has not realized investment returns with the exception of a very modest amount of dividends. In the aggregate since 2007, such dividends have amounted to less than 1% of Carlyle Infrastructure's total fund investments.

PSC-010 Regarding: Expected return
Witness: Dove

A Washington Post article from January 3, 2008, titled “Soon, Roads Could Start Tolling for Carlyle,” included the following unattributed statement: “Carlyle, with more than $75 billion in assets under its control, views its foray into infrastructure as a low-risk way to make annual returns of about 15 percent.” Does the statement accurately reflect Carlyle’s view of expected annual returns from its infrastructure fund investments? If not, please specify what Carlyle’s expected annual return from its infrastructure fund investments is.

RESPONSE: Carlyle objects to the data request as irrelevant because it is not reasonably likely to lead to the discovery of admissible evidence to the extent this data request seeks information regarding Carlyle’s expected returns on investments that are both unregulated and not at issue in this proceeding. To the extent this data request seeks information on Carlyle’s expected returns associated with its investments in Park Water Company, please see Carlyle’s response to MCC-004.

SUPPLEMENTAL RESPONSE: Carlyle believes that returns of approximately 10-20% may be achievable for infrastructure investments, depending on the risk profile of each investment.

CERTIFICATE OF SERVICE

I hereby certify that on this, the 27th day of June, 2011, the foregoing **CARLYLE INFRASTRUCTURE PARTNERS, LP'S SECOND SUPPLEMENTAL RESPONSES TO THE FIRST SET OF DATA REQUESTS FROM THE MONTANA PUBLIC SERVICE COMMISSION** was served via electronic mail and U.S. mail unless otherwise indicated to the following:

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