

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

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IN THE MATTER of the Consolidated Petition	)	
by Mountain Water Company for Declaratory	)	REGULATORY DIVISION
Rulings and Application for Approval of Sale and	)	DOCKET NO. D2011.1.8
Transfer of Stock in Park Water Company	)	

**MCC’S RESPONSE TO CARLYLE INFRASTRUCTURE PARTNERS, LP’S  
DATA REQUESTS TO THE MONTANA CONSUMER COUNSEL**

**Carlyle-001 Re: Projected return, capital investment, and rate base growth**

**Witness: Dr. Wilson**

On page 9, line 2-9 of Dr. Wilson’s testimony, he states, “Assuming that the capital investment and rate base growth are economic (i.e., benefits exceed costs), this may not be objectionable. However, without the requested model and spread sheets that Carlyle apparently has prepared but refuses to provide, one cannot be sure. If, instead, as in the prior case of Babcock and Brown’s proposed acquisition of Northwestern, the projected return is the result of assumed equity payouts or other factors that would be revealed in the model, the consequences for the Company’s customers and for Montana could be problematic.” Now that Dr. Wilson has access to Carlyle’s model and spread sheets, please fully explain whether Dr. Wilson believes that Carlyle’s projected return are or are not the result of assumed equity payouts or other factors that could be “problematic.”

Response: Based on his review of the model, Dr. Wilson affirms the expectation stated in his testimony that the projected return is not the result of assumed payouts of the utility's now-existing equity, but the result of the model's cash flow assumptions and the assumed exit price or IPO value. While Dr. Wilson does not necessarily agree with the reasonableness of these assumptions, he does not see them as problematic to ratepayers. Also, see response to PSC-044.

**Carlyle-002 Re: Projected return, capital investment, and rate base growth**

**Witness: Dr. Wilson**

On page 9, line 15 to page 10, line 1, of Dr. Wilson's testimony, he states, "In that case, the company's financial model revealed Babcock and Brown's intention to pay out the utility's equity capital, so as to recapture its acquisition premium, after the Commission approved its proposed acquisition of NorthWestern." Now that Dr. Wilson has access to Carlyle's model and spread sheet, please explain whether Dr. Wilson believes Carlyle intends to pay out the utility's equity capital so as to recapture its acquisition premium or, alternatively, whether Dr. Wilson believes that Carlyle intends to primarily recover its investment in Park Water through the proceeds to a future sale. Please fully explain Dr. Wilson's answer.

Response: See response to Carlyle-001.

**Carlyle-003**

**Witness: Dr. Wilson**

On page 10, lines 11-13, of Dr. Wilson's testimony, he states, "No. While one cannot be certain without the requested discovery, it appears from the summary that was provided in response to MCC-004 that Carlyle's plans are nearly the opposite." Now that Dr. Wilson has access to Carlyle's model and spread sheets, please confirm whether Dr. Wilson's conclusion remains that Carlyle's business plans are nearly the opposite of what Babcock and Brown's were with regard to the proposed acquisition of NorthWestern.

Response: Confirm, but also see responses to Carlyle-002 and PSC-044

**Carlyle-004 Re: Carlyle's business strategy**

**Witness: Dr. Wilson**

Now that Dr. Wilson has access to Carlyle's model and spread sheets, please explain whether Dr. Wilson has changed his view or understanding of Carlyle's business strategy based on his review of the investment committee memo and Carlyle's testimony in this docket. If so, please explain how Dr. Wilson's views have changed and the impact, if any, those changed views have on his opinions and recommendations in this docket.

Response: Dr. Wilson's views are essentially the same, but also see responses to Carlyle-002 and PSC-044.