

PSC-048 Regarding: Additional Issue Testimony
 Witness: Dove

On page 10 of 11 in your testimony you state on lines 17 through 19 that your “investors and management are in this for the long-haul...” It appears that one of the major concerns of the intervening parties is that Carlyle’s ownership will be fairly short term. The response to PSC-014e stated that “Carlyle infrastructure is a limited life entity and is scheduled to expire on September 28, 2019, though it may be extended for 2 additional years.

- a. Please explain and contrast your testimony to the response to PSC-014e.
- b. Please explain the exit strategy of Carlyle from the ownership of Park Water Company.

RESPONSE:

a. First, it is critical for the Commission and parties to understand that there is no prescribed holding period in any of the current investments made by Carlyle Infrastructure. While analyzing prospective investment opportunities we typically assume holding period of between four to six years in the mathematical computation of potential investment returns, with the realization that the actual holding period may be longer. The initial holding period assumption does not dictate or have any direct bearing on the actual holding period, which is linked directly to the company’s value creation activities. Our key investment objective is value creation. Value cannot be created in a short span of time, particularly in the regulated water utility space.

Further, as Mr. Dove noted, while Carlyle Infrastructure is a limited life entity that is scheduled to expire on September 28, 2019, under the provisions of Section 2.7 of the Limited Partnership Agreement (“LPA”), that date may be extended for another two years. Therefore, if Park Water were to be sold as part of a dissolution sale of Carlyle Infrastructure, such a sale might not occur for eight to ten years.

Therefore, from Carlyle’s perspective there is nothing inconsistent between Mr. Dove’s testimony and the response to PSC-014(e).

b. At an undefined point in the future Carlyle will likely sell its interest in Park Water Company. When that sale might occur, to whom that sale might occur, and how that sale might occur are all facts that are unknown and unknowable at this time. What is known at this time is that the owners of Park Water desire to sell that company to Carlyle and Carlyle, if successful in acquiring Park Water, intends to maintain the current management team at both Park Water and Mountain Water to ensure that both Park Water and Mountain Water continue to provide high quality and reasonably priced service to their customers.

PSC-049 Regarding: ROFR
 Witness: Dove

- a. Given your responses to the above, would Carlyle, upon exiting Park Water, be willing to carve out and afford the opportunity to the City of Missoula to purchase Mountain Water? Why or why not?
- b. If the answer to (a) is that Carlyle would be willing, would Carlyle offer a ROFR to the City? Why or why not?

RESPONSE:

a. As Carlyle has repeatedly stated in testimony and in response to discovery: (1) this issue is well beyond the scope of the Commission's jurisdiction and authority under Montana law; (2) the Commission has absolutely no authority to require Park Water or its upstream owners, whoever they are, to sell Mountain Water to the City of Missoula now or in the future; and (3) Carlyle will honor the August 14, 1997 from Mountain Water to the City of Missoula regarding a possible future sale of Mountain Water to the City of Missoula.

b. See Carlyle's response to PSC-049(a).

PSC-050 Regarding: Length of Ownership
 Witness: Dove

It appears that CFC and the City both have concerns about post-Carlyle ownership, but otherwise are not opposed to the sale of Park Water to Carlyle. See PSC-041b and PSC-035b. Please address those concerns.

RESPONSE:

a. The CFC and the City have both stated an interest in having the City of Missoula own the Mountain Water Company. However, that desire and the associated concerns that Carlyle may sell Mountain Water to someone other than the City of Missoula have absolutely no bearing on the matters before the Montana Public Service Commission in this docket. See Carlyle's response to PSC-049(a).

CERTIFICATE OF SERVICE

I hereby certify that on this, the 1st day of September, 2011, the foregoing **CARLYLE INFRASTRUCTURE PARTNERS, LP'S RESPONSES TO MONTANA PUBLIC SERVICE COMMISSION DATA REQUESTS PSC-048 THROUGH PSC-050** was served via electronic mail and U.S. mail unless otherwise indicated to the following:

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s/ Leah N. Buchanan

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