

**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	)	REGULATORY DIVISION
Rulings and Application for Approval of Sale and	)	
Transfer of Stock in Park Water Company	)	Docket No. D2011.1.8
	)	

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**CARLYLE INFRASTRUCTURE PARTNERS, LP'S  
FOURTH SUPPLEMENTAL RESPONSE TO THE FIRST SET OF DATA REQUESTS  
FROM THE MONTANA CONSUMER COUNSEL**

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Carlyle Infrastructure Partners, LP (“Carlyle”), by and through its undersigned counsel, hereby submits to the Montana Public Service Commission (“Commission”) this fourth supplemental response to the first set of data requests from the Montana Consumer Counsel.

By: s/ Thorvald A. Nelson

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**COUNSEL FOR CARLYLE INFRASTRUCTURE  
PARTNERS, LP**

MCC-004 RE: Testimony, p. 5, l. 9

WITNESS: Dove

Please provide the financial analysis that was done in conjunction with Carlyle's due diligence pertaining to the acquisition of Park Water including but not limited to projected financial results (e.g., income statements, balance sheets, cash flow). If these due diligence analyses are in spreadsheet form, please provide them in an operating format with all formulas and links intact.

**RESPONSE:** Carlyle objects to this data request on the basis of relevance to the extent the request calls for (a) the detailed projected financial results (e.g. income statements, balance sheets, cash flow, etc.) and (b) the production of the analyses in a spreadsheet format with all formulas and links intact. The analysis conducted by Carlyle regarding the earnings that may be realized by Carlyle involve two components – earnings realized from a potential future sale of Park Water and earnings realized from new investments made in Mountain Water infrastructure. Carlyle has stated that it is not seeking rate recovery of any acquisition premium. Therefore, whether or not Carlyle has correctly calculated its earnings associated with a potential future sale of the asset can have no impact on customer rates and no impact on the issues in this case. As for new investments, the rate of return on equity associated with new investments in Mountain Water from Carlyle will be at authorized levels set by the Montana Public Service Commission. Therefore, whether Carlyle has correctly guessed at future capital expenditures or future Commission authorized rates of return on equity are also irrelevant to the issues in this case. In short, while Carlyle has agreed to provide the highly confidential financial analysis it used to decide whether or not to acquire Park Water in summary format, whether or not Carlyle's

analysis is correct or not can have no impact on the actual rates paid by Montana customers (which will be set by the Commission in future rate cases) and no bearing on the issues in this case. Therefore, while Carlyle agrees to provide its financial analysis in summary format to explain why, from Carlyle's perspective it is pursuing this investment, the level of detail requested by the MCC is irrelevant and not reasonably calculated to lead to the discovery of admissible evidence.

With respect to the summary of the financial analysis, the requested information is confidential and trade secret. On May 27, 2011 Carlyle filed a Motion for Protective Order. Once the Commission has granted the proposed Protective Order Carlyle will supplement this response with the requested information.

**SUPPLEMENTAL RESPONSE:** See Confidential Response Attachment MCC 4 on the enclosed CD.

**SECOND SUPPLEMENTAL RESPONSE:** See Confidential Response Attachment MCC-004(a) on the enclosed CD.

**THIRD SUPPLEMENTAL RESPONSE:** See Attachment MCC-004(b). (A redacted public version of Confidential Response Attachment MCC-004(a)).

**FOURTH SUPPLEMENTAL RESPONSE:** See Attachment MCC-004(c). (A new redacted public version of Confidential Response Attachment MCC-004(a) incorporating, in part, comments from the Staff of the Commission).

**CERTIFICATE OF SERVICE**

I hereby certify that on this, the 26th day of September, 2011, the foregoing **CARLYLE INFRASTRUCTURE PARTNERS, LP'S FOURTH SUPPLEMENTAL RESPONSE TO THE FIRST SET OF DATA REQUESTS FROM THE MONTANA CONSUMER COUNSEL** was served via electronic mail and UPS unless otherwise indicated to the following:

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s/ Leah N. Buchanan

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**THE CARLYLE GROUP**

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## MEMORANDUM

To: CIP Investment Committee  
From: Robert Dove, Barry Gold  
CC: Bryan Lin, Jim Larocque  
Date: October 7, 2010  
Re: **Investment Committee Memo – Park Water Company**

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**Transaction Overview:**

Carlyle Infrastructure Partners (“CIP”) is currently engaged in exclusive discussions to evaluate an acquisition of Park Water Company and its subsidiaries (“Park Water”, or the “Company”). Park Water owns and operates two water utilities in California and one water utility in Montana. Park Water is a family-owned business led by Henry (“Sam”) Wheeler, whose father founded the Company in 1937. Through its operating subsidiaries, Park Water provides water distribution service to approximately 245,000 people through 70,843 service connections. For the LTM period ending 6/30/2010, the Company generated revenue of \$61.1 million [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED] The Company has not engaged a financial advisor; CIP and our advisors have conducted due diligence through direct interaction with Company management and their legal counsel. CIP also recently attended site visits and management meetings at each of the Company’s utility operations.

We are requesting approval to submit a binding offer to acquire 100% of the Company’s equity for \$102 million, which represents a total enterprise value of \$158.8 million [REDACTED] at financial close. [REDACTED] As we believe the existing debt will remain in place and given that we do not intend to raise any additional acquisition debt, the implied CIP equity commitment is \$103.5 million<sup>1</sup>. Our preliminary valuation assumes a financial close at September 30, 2011, due to closing

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[REDACTED]

## Investment Committee Memo – Park Water Company

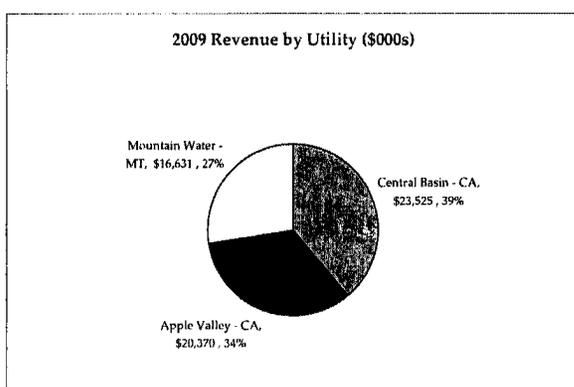
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conditions that would [REDACTED]

### Company Overview:

Park Water is an investor-owned water utility operating under the regulatory oversight of state public utility commissions (“PUCs”) in California and Montana (for rates) and the U.S. Environmental Protection Agency (for water quality issues). Park Water's primary activities are for the collection, storage, distribution and sale of drinking water. Park Water owns and operates Park Water Central Basin (Norwalk/Bellflower/Compton), Apple Valley Ranchos Water Company (High Desert, CA) and Mountain Water Company (Missoula, MT).



As a regulated utility, the rates that Park Water charges are determined by state public utility commissions. Rates are reset periodically to account for changes in the utility's cost structure, and to allow it the opportunity to earn a “fair” rate of return on its invested capital, or “rate base”<sup>2</sup>. The California Public Utility Commission (the “CPUC”), which regulates two of Park Water's utility subsidiaries, has adopted progressive tariff provisions which provide protection against reduction in water sales due to weather or conservation. In addition, the CPUC's regulatory framework allows for the recovery of unforeseen increases in the cost of purchased water and power, the inclusion in rate base of construction-work-in-progress (“CWIP”), and the use of a forward test year to recover anticipated costs in rate setting. The Montana Public Service Commission (“Montana PSC”) has not adopted any such investor-friendly initiatives. Under the Montana PSC framework, rates are set to allow the Company to recover prudently incurred expenses and earn a return on invested capital based on a historic test period, resulting in a lag in recovering a return on capital invested between rate case periods. Park Water has developed strong and constructive relationships within its regulatory jurisdictions.

<sup>2</sup> Rate base generally consists of net property, plant & equipment (“PP&E”), less property contributed to the utility by developers, less deferred taxes.

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Apple Valley Ranchos Water Company (“Apple Valley”):

Apple Valley serves 18,991 connections (primarily residential) in the Town of Apple Valley in High Desert, California. [REDACTED]

[REDACTED]

As the cost of water supply is passed directly into rates, customers served by utilities with access to a substantial supply of inexpensive water (such is the case with Apple Valley) benefit from the reduced cost through lower rates.

Prior to the housing crisis, Apple Valley experienced significant customer growth through housing development. [REDACTED]

[REDACTED]

Park Water Central Basin (“Central Basin”):

Central Basin serves 28,836 connections (primarily residential) in Compton, Bellflower and Norwalk, CA. [REDACTED]

[REDACTED]

The MWD is a consortium of 26 cities and water districts that provide drinking water to approximately 18 million people. [REDACTED]

[REDACTED]

[REDACTED] A significant portion of Central Basin’s distribution pipe was installed prior to the Second World War. As a result, a substantial amount of capital will be required for main replacement in the coming years, which will offer the opportunity for rate base growth. However, capital spent on main replacement will have an upward effect on Central Basin’s rates, and therefore it will be important to balance the utility’s capital needs against customer rates. [REDACTED]

[REDACTED]

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Mountain Water:

Mountain Water serves 23,016 customers (primarily residential) in Missoula, MT, and is the only sizeable investor-owned water utility in the state. Mountain Water sources 100% of its water from the underground Missoula Valley Aquifer and from the Rattlesnake Lakes, which are abundant sources of inexpensive, high quality water. This water source is recharged (kept full) with inflow from the two major rivers that “run through” Missoula.

The average age of Mountain Water’s system of distribution main is 34 years, with approximately 20% of the system aged over 50 years. The Montana PSC is concerned with the age of some of Mountain Water’s distribution main and the resulting water leakage. This issue is highly unlikely to result in a reduction in the rates or a disallowance. [REDACTED]

Management:

Park Water is currently led by Co-CEOs Sam Wheeler and Chris Schilling. We intend to keep Chris Schilling as CEO of the Company, and will explore retaining Sam Wheeler as a board member or consultant. A former long-term banker to the Company, Chris joined Park Water in 2009 from Bank of America, where he served as Head of International Private Placements from 2003-2009, and as Group Head of Mezzanine Private Placements from 1999-2001. From 2001-2003, Chris was a Partner at Levine Leichtman Capital Partners. We believe that Chris’ strong background in financing and utility sector expertise makes him well suited to act as CEO of our water platform company, as he should be comfortable embarking on a strategy of sourcing and executing tuck-in acquisitions. The Company has a strong level of talent at the corporate level, particularly in its regulatory/ratemaking department. [REDACTED]

[REDACTED] We have also had the opportunity to meet and interact with the leadership of each of the Company’s utility subsidiaries, and are impressed with the quality of the team. The Company’s Mountain Water affiliate stands out as being particularly well managed.

**Pending Regulatory Matters:**CPUC Cost of Capital Proceeding:

In accordance with the CPUC procedures, Central Basin and Apple Valley jointly filed a cost of capital application in May 2009, and the CPUC consolidated that application for consideration along with comparable applications by four other large water companies. The outcome of this current proceeding will determine the Company’s allowed return on rate base in California. A

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proposed decision was issued by the CPUC on August 3, 2010, and offers the Company a mix of modestly beneficial and problematic results. Key aspects of the proposed decision are the following:

- The proposed decision sets the cost of capital for all the applicant utilities based on their actual capital structure [REDACTED]
- The proposed decision applies each of the applicant utilities' projection of its cost of long-term debt for the year 2010, and provides the Company with a recovery for prepayment costs relating to its 2008 refinancing.
- The proposed decision adopts a uniform "benchmark" cost of equity of 10.2% for all five applicant utilities. For Central Basin, this represents the same rate of return on equity that is embedded in current rates; for Apple Valley, the 10.2% allowed return on equity represents a 50 basis point increase from the previously authorized equity return.
- The proposed decision adopts a "Cost of Capital Adjustment Mechanism" that provides for an upward or downward adjustment in the allowed rate of return on equity equal to 50% of the change in the relevant Moody's Baa utility bond index yield over a specified period of time. The adjustment to the allowed ROE will only occur if the change in that index exceeds a band of 100 basis points upward or 200 basis points downward during the measurement period. Although this framework appears sensible, the proposed measurement period is the 12 months ending September 30, 2009. Due to relatively high interest rates for Baa bonds during this timeframe, this would result in a reduction in the allowed ROE of approximately 100 basis points for 2010 (retroactive to January 1, 2010) and 2011, or a rate reduction of approximately \$385,000 for each of those years. The Company has provided comments on the proposed decision and has requested that the 12 months ending September 30, 2010 should be used as the measurement period, due to a higher benchmark yield during this time period. A final decision is expected later this year.

Mountain Water Rate Case:

In April 2010, Mountain Water filed a general rate case application seeking a rate increase that would amount to a \$2.0 million increase in revenue, or an 11.9% increase in rates. Mountain Water's application claims the requested increase is justified by increases in operating expenses, additions to utility PP&E, and an increased allowed return on equity from 10% to 11%. Due to procedural delays relating to the general rate case, the Montana Consumer Counsel (the "MCC"), the State's primary ratepayer advocacy group, has not yet filed evidence or testimony to counter-argue Mountain Water's requested rate increase. Our regulatory counsel has reviewed the discovery that was submitted by the Montana PSC staff and the MCC in the case.

[REDACTED]

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**Political Considerations:**

In most U.S. states, a utility seeking to enter into a transaction resulting in a change of control (direct or indirect) must receive approval from the state public utility commission prior to closing. Change of control proceedings can last several months, depending on the level of opposition created by various intervening parties (generally ratepayer groups and municipalities located in the utility's service territory). In certain cases, applicants have had to prove that the transaction would be beneficial to ratepayers, either by way of a commitment to customer service and/or infrastructure upgrades, or by agreeing to economic concessions such as rate freezes or reductions. Montana law technically does not require utilities to seek Montana PSC approval for transactions involving a change of control, however the Montana PSC has asserted jurisdiction over this authority.

Unlike many U.S. states where PUC commissioners are appointed by the state government, Montana PSC commissioners are elected. There have been prior examples where the Montana PSC has not been supportive of acquisitions of utilities by out-of-state or foreign entities, including Babcock & Brown's failed attempt to acquire Northwestern Corporation.

In addition to the political considerations relating to the Montana PSC, Mountain Water has faced municipalization threats by the City of Missoula in the past. In the mid-1990s, the City attempted to acquire Mountain Water through a failed eminent domain proceeding in which the Montana Supreme Court ruled unanimously against the City. In a written correspondence from August 1997, the Company offered to the City a right of first refusal should the Company decide to sell Mountain Water. The letter issued by the Company specifically excludes from the ROFR corporate-level transactions involving an indirect change of control of Mountain Water. Although we are confident from a legal perspective that the ROFR would not apply in this instance, it is possible that the City may take the opposite view and attempt to challenge the transaction.

The Company will be required to file a change of control application with the CPUC for its two California utilities.

The CPUC's members are appointed by the State government, and currently consist of two Republicans and three Democrats.

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[REDACTED]

We are prepared to discuss and answer questions relating to the potential political risks associated with this transaction.

### **Industry Overview:**

#### Highly Fragmented and Municipally Dominated

The U.S. water and wastewater industry is highly fragmented and municipally dominated. This structure has remained largely unchanged over the past decade. According to the U.S. Environmental Protection Agency (“EPA”), there are approximately 53,000 water and 16,000 wastewater systems throughout the nation. Around 83% of the water systems are “small” or “very small” systems serving fewer than 3,300 people. Those numerous “small” and “very small” water systems collectively serve only 9% of the U.S. population. Many state PUCs are in favor of consolidation of small utilities for reasons of efficiency and access to capital. In certain states, PUCs have taken measures to encourage consolidation by allowing goodwill created by the acquisition to be included in the target’s rate base post acquisition.

The systems in the largest U.S. cities are predominantly run by municipalities. Nearly 85% of the water and 95% of the wastewater systems are owned by municipalities. Currently, there are only 10 publicly traded water utilities, with the largest company reaching market capitalization of approximately \$4 billion and the combined market capitalization of all 10 public water companies totaling around \$8.5 billion.

#### Significant Capital Expenditure Requirements

Most of the U.S. water and wastewater systems were built in the period following World War II and are gradually aging. An EPA survey found that in “large” systems (serving 100,000+ people), about 30% of the pipes were between 40 and 80 years old, and about 10% were more than 80 years old. Water leakage rates are as high as 20%. The EPA estimates that if there is no renewal or replacement of existing systems, the amount of pipes classified as either “poor”, “very poor,” or “life elapsed” will increase from 10% in 1980 to 45% in 2020. The current replacement rate for the aging pipes and mains is less than 1% annually. However, companies are now forecasting spending at or above 4x depreciation expense over the intermediate term.

#### Southern California’s Water Supply:

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About half of Southern California's supplies are local, and the other half is imported from either the Colorado River (via the Colorado River Aqueduct) or Northern California (via the State Water Project and passing through the Sacramento-San Joaquin Delta). California's current concern about water shortage is mainly caused by drought conditions experienced between 2006-2009 (with above average precipitation in the 2009-2010 water year), reductions in deliveries from the Colorado River, and stringent restrictions on pumping water from the Sacramento-San Joaquin Delta (the "Delta") to protect certain fish species.

The Delta is the hub of California's water system, and acts as a critical gateway. About 30 percent of Southern California's water supply moves across the Delta to the aqueduct system of the State Water Project. The State Water Project is a water storage and delivery system of reservoirs, aqueducts, power plants and pumping stations. Its main purpose is to store water and distribute it to 29 urban and agricultural water suppliers in Northern California, the San Francisco Bay Area, the San Joaquin Valley, the Central Coast, and Southern California. The State Water Project provides water to two-thirds of California's population. It is maintained and operated by the California Department of Water Resources.

To address ecological concerns in the Delta, State agencies are collaborating to create the Bay Delta Conservation Plan (the "BDCP"). The BDCP is intended to be a comprehensive plan that, among other things, addresses State Water Project requirements under the Endangered Species Act. The BDCP is investigating conveyance alternatives to move State Water Project water either through or around the Delta, habitat restoration and adaptive management. A draft of the BDCP is expected to be released in November 2010, and implementation of the plan, including infrastructure improvements, will take ten to twelve years to construct. During the implementation of the BDCP, public water districts and investor-owned water utilities are focused on alternative water supply strategies including recycling, conservation and groundwater clean-up to optimize usage of current supplies. Water resource managers are also making interim habitat improvements to aid Delta species with the aim of restoring pumping operations curtailed in recent years. These strategies will help sustain Southern California while the necessary long-term infrastructure improvements are completed.

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[REDACTED]

[REDACTED]

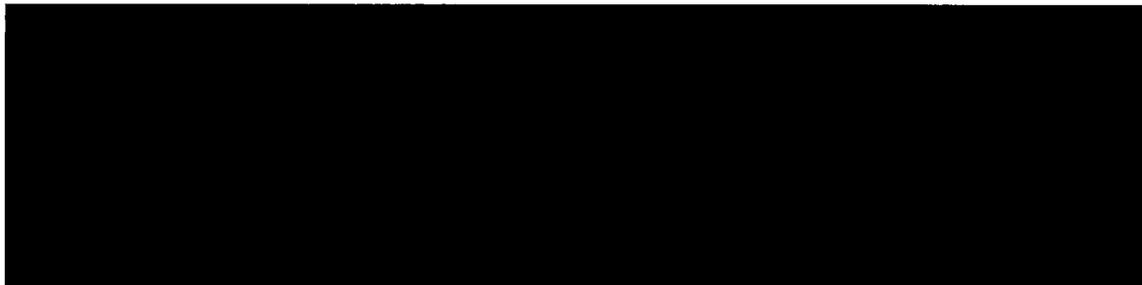
[REDACTED]

[REDACTED]

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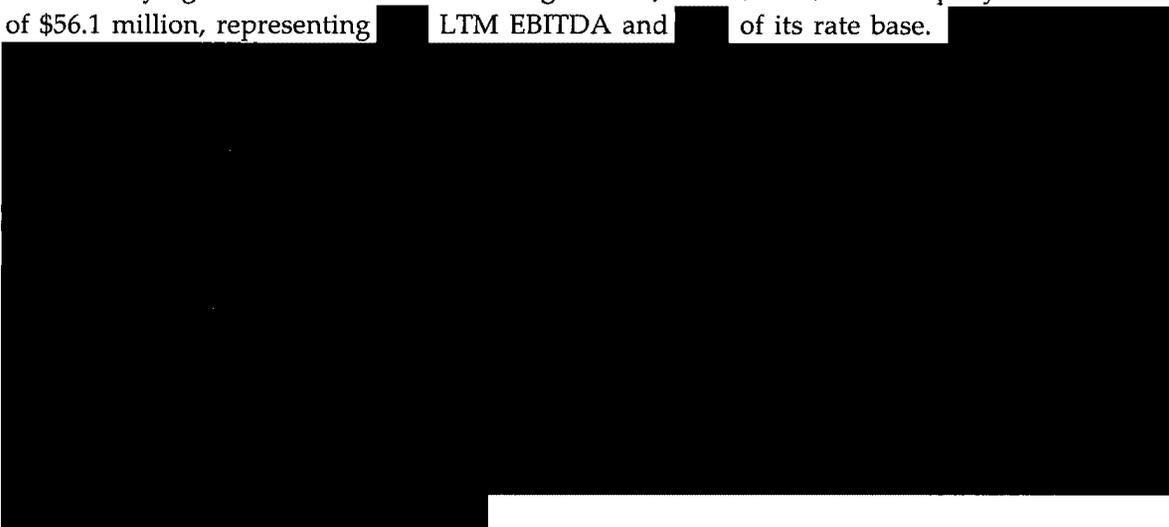
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**Financing:**

We intend to assume the Company's existing first mortgage bonds ("FMBs") and submit the bid without relying on additional debt financing. As of June 30, 2010, the Company had total debt of \$56.1 million, representing [redacted] LTM EBITDA and [redacted] of its rate base. [redacted]



Below is a summary profile of the Company's existing debt as of June 30, 2010:

First Mortgage Bonds:	\$52.0 million
Notes Payable:	2.0 million
Bank loan and credit line	<u>2.1 million</u>
Total Debt:	\$56.1 million



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[REDACTED] We expect to reinvest a significant amount of internally generated cash flow on main replacement to grow the business, and therefore do not intend to maintain a high dividend payout ratio.

**Valuation:**

Based on our diligence we believe that the appropriate equity valuation for 100% of the Company would be \$102 million [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

Below is a table illustrating the sources and uses of funds:

[REDACTED TABLE]

Our valuation analysis assumes the following:

- Financial projections as described above
- \$56.8 million of existing debt rolls over at financial close on current terms
  - [REDACTED]
- 5 year hold period

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[REDACTED]

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[REDACTED]

Below is a table summarizing returns at different entry and exit multiples:

[REDACTED]

We believe that the projected returns at the proposed valuation are attractive given the Company's defensive, highly regulated business which provides significant downside protection. Furthermore, we believe that there are many attractive roll-up acquisition opportunities given the highly fragmented nature of the U.S. water industry. CIP regularly becomes aware of greenfield water and wastewater projects that would be difficult to pursue on a standalone basis. We believe that an investment in Park Water could act as our strategic platform to enable our participation in such projects.

[REDACTED]

There have been some precedent transactions in the U.S. water utility sector that have ended poorly for investors. The most obvious example is RWE's (the large German utility company) take-private of American Water Works at a price representing 11.6x EBITDA. The sale, announced in September 2001, took 16 months to achieve regulatory approval in American

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Water's 35 regulatory jurisdictions. RWE agreed to economic concessions (such as multi-year rate freezes) with many state PUCs in order to secure their approval of the sale. RWE listed American Water in April 2008 and has since fully exited its investment at a loss. [REDACTED]

[REDACTED] In the recent acquisition of Southwest Water Corporation by JP Morgan Infrastructure, regulatory approval was achieved by five state PUCs less than six months. JP Morgan Infrastructure was not required to agree to any adverse rate concessions as a condition to securing approval from any of the PUCs.

**Transaction Structure:**

[REDACTED]

The Company has two non-utility affiliates that will be carved out prior to financial close. The analysis of the tax consequences relating to the separation will be quantified during confirmatory diligence, but are not expected to be meaningful. Our bid letter will specify that any tax consequences relating to the separation will be deducted from our purchase price.

[REDACTED]

[REDACTED]

**Exit:**

[REDACTED]

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**Principals for Responsible Investing:**

CIP has considered Carlyle's Principals for Responsible Investing ("PRI") and we do not believe that any conflicts exist between the Company's business and our PRI. We believe that the following PRI are particularly relevant in the context of our contemplated acquisition of Park Water:

- *Consider environmental, public health, safety, and social issues associated with target companies when evaluating whether to invest in a particular company or entity, as well as during the period of ownership:*
  - The Company's California subsidiaries operate under a regulatory framework that promotes water conservation through the following initiatives:
    - Park Water's decision to employ the CPUC's "de-coupling" rate mechanism that separates water sales from utility revenues. This mechanism is designed to remove the large disincentives – namely lost revenues – that a utility would otherwise face as a result of conservation efforts
    - Apple Valley's participation in a program managed by the Mojave Water Agency that offers property owners a cash incentive to remove lawn and replace it with water-efficient landscaping through a "Cash for Grass" program
  - Water-related energy use in California accounts for 19% of the state's electricity, 30% of its natural gas consumption and 88 billion gallons of diesel fuel each year<sup>5</sup>. Successful water conservation efforts are key to helping California manage its energy usage and reduce its carbon footprint
- *Seek to grow and improve the companies in which they invest for long-term sustainability and to benefit multiple stakeholders, including on environmental, social and governance issues:*
  - [REDACTED] Under CIP ownership, the Company will have access to additional capital to invest in main replacement. These distribution infrastructure investments are consistent with this PRI, as they improve system reliability, water quality, and service consistency

<sup>5</sup> Water-Related Energy Use in California, California Energy Commission, February 20, 2007.

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**Investment Merits & Concerns:**

Merits

[Redacted]

[Redacted]

[Redacted]

Concerns

[Redacted]

[Redacted]

[Redacted]

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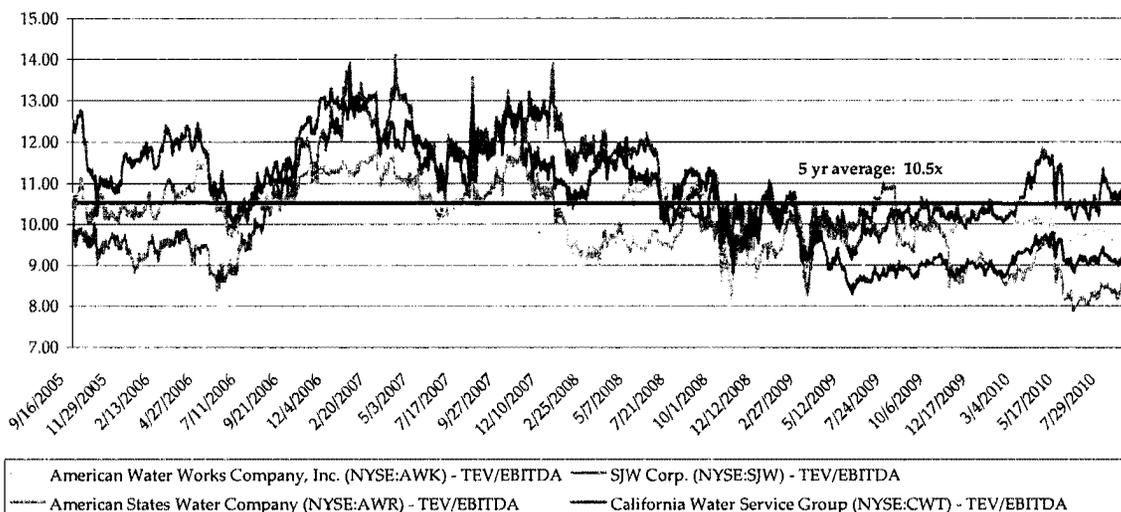
## Appendix I: Trading Comparables

(\$ in millions)

Company Name	Market Cap	TEV	EV / EBITDA		P/E		Debt / Capital
			LTM	2010	LTM	2010	
American States Water	\$655.6	\$989.5	8.7x	7.8x	21.8x	17.6x	48.0%
American Water	4,067.0	9,689.9	9.7x	8.9x	17.6x	15.3x	58.2%
California Water Service Group	762.2	1,194.6	9.4x	8.3x	19.8x	18.2x	51.0%
SJW Corp	457.5	763.2	11.1x	12.6x	28.6x	25.3x	55.1%
<b>Mean</b>			9.7x	9.4x	22.0x	19.1x	53.1%
<b>Median</b>			9.5x	8.6x	20.8x	17.9x	53.1%

Trading data as of 9/29/2010.

## U.S. Comparable Water Utilities - 5 Year EV/EBITDA Trading Analysis



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## Appendix II: Transaction Comparables

## U.S. Water Utilities

## Comparable M&amp;A Transaction Analysis

(\$ in millions)

Ann. Date	Target Name	Acquirer Name	Equity Value	Enterprise Value (1)	Price/Book	LTM P/E	LTM EV/EBITDA
03/02/10	Southwest Water Company	JP Morgan Infra / Water Asset Mgmt	\$272.7	\$428.2	2.4x	N/A	38.2x
06/29/07	Birmingham Utilities	South Central Connecticut Regional Water Authority / Connecticut Water	40.2	57.0	3.6x	50.7x	19.7x
02/12/07	Aquarion Water Company of New York	United Water Resources	28.0	28.0	N/A	N/A	N/A
05/16/06	New York Water Service Corporation	Aqua America	28.9	49.3	1.6x	16.5x	9.0x
02/24/06	Aquarion Company	Macquarie Bank Limited	625.0	842.5	N/A	25.2x	10.6x
05/03/04	Tecon Water Holdings	Southwest Water Company	45.0	60.0	N/A	49.0x	11.2x
04/20/04	Fairbanks Sewer and Water	Terasen Inc.	61.0	83.7	3.7x	18.8x	11.2x
11/21/03	Heater Utilities Inc.	Philadelphia Suburban Corporation	48.0	76.0	1.6x	N/A	N/A
07/24/03	Florida Water Services Corporation (ALLETE)	Florida Water Services Authority	355.5	470.4	3.1x	28.0x	11.6x
07/29/02	Aquasource	Philadelphia Suburban Corporation	178.4	188.8	N/A	148.7x	13.1x
04/29/02	Pennichuck Corporation	Philadelphia Suburban Corporation	81.8	104.5	2.6x	21.4x	7.6x
09/17/01	American Water Works	Thames Water Plc	4,582.1	7,495.5	2.7x	28.7x	11.6x
08/30/01	American Water Works New England	Aquarion	118.0	233.0	N/A	N/A	N/A
07/18/01	Indianapolis Water Company	The City of Indianapolis	390.1	522.5	N/A	62.9x	N/A
03/28/01	Utilities Inc.	Nuon NV	400.0	N/A	N/A	40.0x	N/A
01/15/01	Sierra Pacific Power Company, Water Business	Truckee Meadows Water Authority	350.0	350.0	N/A	36.3x	N/A
03/14/00	Chaparral City Water Company	American States Water	20.9	31.2	2.3x	N/A	N/A
02/15/00	City of Coatesville, Water Authority	Pennsylvania American Water	48.2	60.0	3.2x	38.2x	25.7x
11/22/99	E'Town Corporation	Thames Water plc	587.4	937.7	2.6x	26.1x	13.5x
10/29/99	SJW Corp.	American Water Works	389.8	481.6	2.8x	26.4x	12.0x
10/19/99	Citizens Water Resources	American Water Works	745.0	835.0	N/A	N/A	19.3x
08/23/99	United Water Resources	Suez Lyonnaise Des Eaux	1,376.1	2,215.2	2.9x	32.3x	13.9x
06/01/99	Aquarion Company	Kelda Group plc	444.0	600.8	3.0x	21.9x	10.2x
11/15/98	Dominguez Services Corp.	California Water Service Group	47.6	58.8	2.9x	30.4x	12.3x
10/13/98	National Enterprises Inc.	American Water Works	475.0	701.0	N/A	24.5x	N/A
06/29/98	Consumers Water Company	Philadelphia Suburban Corporation	274.2	467.8	2.5x	22.1x	9.9x
12/19/96	IWC Resources	Nipsco Industries Inc.	290.6	429.0	2.5x	25.9x	9.1x
		<b>Adj. Average (2)</b>			<b>2.7x</b>	<b>32.0x</b>	<b>13.2x</b>
		<b>Median</b>			<b>2.7x</b>	<b>28.0x</b>	<b>11.6x</b>

## Footnotes

(1) If data is available, enterprise value equals equity value plus assumed debt less cash.

(2) Excludes highest and lowest figures.

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### **Appendix III: Management Bios**

#### **Christopher Schilling**

*Co-Chief Executive Officer*

Christopher Schilling joined Park Water's corporate staff in 2009 as the Co-Chief Executive Officer having previously served as an Independent Board Advisor for Park Water Company since 1999. Mr. Schilling has spent most of his professional career at Bank of America, where in 2003 he became a Managing Director/Head of International Private Placements. At Bank of America, Mr. Schilling worked extensively with regulated gas, electric and water companies in the U.S. and globally including Australia, Asia, Canada and Europe.

In his role as an Independent Advisor to the Board of Directors of Park Water Company, Mr. Schilling provided consultation on capital structure, funding arrangements, pension plan, strategic initiatives, and other matters. Mr. Schilling earned a Bachelor of Arts in Economics and a Master of Business Administration in Finance from Columbia University.

#### **Douglas Martinet**

*Chief Financial Officer / Senior Vice President*

Douglas Martinet joined Park Water in 1982, became the Chief Financial Officer in 1985 and was promoted to Senior Vice President/C.F.O. in 1993. Mr. Martinet is responsible for the accounting/financial reporting, treasury, income tax and revenue requirements functions.

Mr. Martinet earned a Bachelor of Science degree in Business Administration (Accounting) from San Diego State University and a Master in Business Administration from Pepperdine University. He has been certified by the American Management Association in Strategic Management and is an active member of Financial Executives International and the California Water Association where he serves on numerous committees.

#### **Leigh Jordan**

*Executive Vice President*

Leigh Jordan joined Park Water in 1986, was promoted to Vice President - Revenue Requirements in 1987, Senior Vice President in 1993, and assumed his present position in 1999. Mr. Jordan has participated in approximately twenty general rate case proceedings for Park Water and its subsidiaries, sponsoring testimony on numerous aspects of the revenue requirement. Prior to joining Park Water, Mr. Jordan was employed with the CPUC as a Utilities Engineer, during which time he prepared exhibits, testified before the Commission, and served as a technical advisor.

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Mr. Jordan earned a B.A. in Geology and an M.S. in Engineering Science from the University of California at Berkeley. Mr. Jordan is also a licensed Civil Engineer in the State of California and was granted a Grade D2 Water Distribution Operator certification from the State of California Department of Health Services.

**Jeanne-Marie Bruno**

*General Manager – Central Basin / Senior Vice President*

Jeanne-Marie Bruno joined Park Water Company in April 2000 as the Senior Vice President/General Manager. Ms. Bruno currently manages a staff of 50 to provide retail potable and recycled water service to about 110,000 people in Park Water's Central Basin service territory. Prior to joining Park Water, Ms. Bruno was the acting Associate Director of Water Quality at the Metropolitan Water District of Southern California for 12 years.

Ms. Bruno earned a Bachelor of Science degree in Civil Engineering from Massachusetts Institute of Technology and a Master of Science in Environmental Engineering from Stanford University. She is a Registered Civil Engineer in California and has received numerous awards and titles from the American Water Works Association (AWWA).

**Arvid Hiller**

*General Manager – Mountain Water / Vice President*

Arvid "Butch" Hiller has been involved in the utility business for 41 years and the water utility industry for 31 years. In April 1990, he became the Vice President and General Manager of Mountain Water having previously served as the Office Manager and Assistant Secretary. Prior to joining Mountain Water in August 1979, he worked for Montana Power Company.

Mr. Hiller graduated from Sentinel High School in Missoula, MT. in 1966. Since then, he has taken courses at The University of Montana where he completed the MBA Essentials Certificate Program. He plays an active role in the community and legislature to continually protect Missoula's aquifer and water quality efforts. He is involved in public service and has served on numerous boards. He currently is a member of the Board or Directors of the Montana State Chamber of Commerce.

**John Kappes**

*Assistant General Manager – Mountain Water / Vice President*

John Kappes has worked for Mountain Water for the past 20 years and currently serves as the Assistant General Manager/ Vice President where he directly oversees PSC regulatory filings, utility field operations and Information Systems. In mid 2006, his position expanded as advisor to Park Water Company's CEO on long range strategic planning. Prior to his current position, he worked as Coordinator of Rates and prepared six general rate filings to the Montana Public Service Commission and was an expert witness in four.

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Mr. Kappes earned a Bachelor of Science degree in Business with an emphasis in Accounting from the University of Montana. He holds a current Montana CPA license and is a member of the American Institute of Public Accountants and Montana Society of CPAs. Mr. Kappes serves as Vice-Chairman of Park Water's Board, sits on Mountain Water's Board, and is a current member of the Board of Directors for the Missoula Chamber of Commerce.

**Scott Weldy**

*General Manager – Apple Valley / Vice President*

Since joining Apple Valley in 1997, Mr. Weldy has held positions in Continuous Property Records, Superintendent of Facilities and Production, and finally General Manager, where he is responsible for general operation and management. Mr. Weldy served as Director of Division 5 on the Mojave Water Agency for five years, and presently sits as Chairman of the Technical Advisory Committee to the Mojave Water Agency, and Chairman of the Alto Sub-area Advisory Committee. Prior to joining Apple Valley, Mr. Weldy worked for a company that focuses on integrating SCADA systems for utility companies.

Mr. Weldy completed his Bachelor of Science degree in Electrical Engineering from Washington International University in 1999. He holds D5 and T2 State of California Distribution and Treatment certificates.

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