

PUBLIC SERVICE COMMISSION STATE OF MONTANA

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MEMORANDUM

August 5, 2011

To: Jim Nugent
Missoula City Attorney
435 Ryman Street
Missoula, MT 59802

From: Leroy Beeby, Rate Analyst
Montana Public Service Commission

RE: PSC data requests in Docket D2011.1.8

Enclosed please find data requests of the Montana Public Service Commission to the City of Missoula, numbered PSC-028 through PSC-038, in the above-referenced docket. If you have any questions regarding these data requests, please contact me at 444-6188 or Kate Whitney at 444-3056.

Enclosure

cc: service list

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

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

**MONTANA PUBLIC SERVICE COMMISSION DATA REQUESTS
PSC-028 THROUGH PSC-038 TO THE CITY OF MISSOULA**

PSC-028

Regarding: Testimony
Witness: Engen

- a. Has Mountain Water failed to provide access to clean safe drinking water other than the occasional upgrades and routine maintenance, etc., to the system? Please provide examples.
- b. Why do you believe that the acquisition by the Carlyle Group would change the quality of service?

PSC-029

Regarding: Testimony
Witness: Engen

Does the City of Missoula have any experience in operating, owning, and maintaining a public water system?

PSC-030

Regarding: Testimony
Witness: Engen

Is the City of Missoula subject to the same standards of regulation as a private water utility? Please contrast the regulatory oversight of the Public Service Commission and the Montana Consumer Counsel to the regulatory oversight of the City of Missoula.

PSC-031

Regarding: Testimony
Witness: Engen

- a. Please explain the City of Missoula's approach to water loss mitigation if it owned Mountain Water. Mountain estimates approximately half of its water loss is due to service connections.
- b. Does the City of Missoula have in place or is the City proposing any incentives to homeowners to replace bad service connections? An example would be zero interest loans with repayments included in property taxes to allow for repayment with before tax dollars.
- c. Is the City of Missoula prepared to provide any incentives to Mountain Water to assist in the replacement of outdated and leaking mains? An example would be a waiver of the pavement disturbing fee assessed for line repair. Why or why not?

PSC-032

Regarding: Testimony Paragraph 12
Witness: Engen

Please provide the preliminary analysis that you referred to in Paragraph 12 in written and EXCEL format.

PSC-033

Regarding: Testimony
Witness: Engen

Why did the City of Missoula not purchase Mountain Water originally from Montana Power? Was it afforded a "reasonable opportunity" to do so?

PSC-034

Regarding: Ability to pay
Witness: Engen

The Carlyle Group is proposing to pay approximately \$100 million for the Park Company that includes Mountain Water along with the outstanding debt obligations of Park. Mountain Water has about 1/3 of the customer base of Park Water. For the sake of questioning please assume a fair valuation for Mountain Water is approximately \$53 million, and there is no gain on the sale. In a recent newspaper article you commented that the City of Missoula may consider of bid of \$50 million for Mountain Water.

- a. Please explain how the City of Missoula would purchase Mountain Water and not increase rates over Mountain's existing rates. Please support with cost analysis in electronic format with all formulas intact.

- b. Please explain how or whether the City of Missoula will replace the approximately \$1 million lost property tax revenues that Mountain Water presently pays to the City, County and other affected parties. Will the City hold harmless all the affected parties? In other words, replace those lost revenues to the other government entities? Please provide all supporting analysis.
- c. If the response to hold harmless is yes, please provide all supporting documentation for your answer. If the response is no, have you notified the potential affected parties that they may be affected and to what extent? Why or why not?
- d. Did the City approach Park Water to inquire about purchasing Park Water and its subsidiaries? Why or why not?

PSC-035

Regarding: Opportunity to purchase Mountain Water Co.

Witness: Engen

- a. You said in paragraph #13 of your testimony that the City of Missoula should be afforded a “reasonable opportunity” to purchase Mountain Water Co. “at such time as the Carlyle Group decides to sell either Mountain Water Company or Park Water Company.” Please explain what would constitute a “reasonable opportunity” from the City’s perspective.
- b. Does the City oppose or support the proposed Carlyle-Park transaction?
- c. If the proposed transaction is approved, does the City advocate that the PSC should condition the approval in some way(s)? Please specify the condition(s) sought by the City.

PSC-036

Regarding: August 1997 Hiller-Kadas letter - ROFR

Witness: Engen

- a. Montana Consumer Counsel witness Dr. Wilson questioned whether the right of first refusal (ROFR) extended to the City by Mountain Water in an August 1997 letter is operable under certain circumstances. Is the City relying on that letter as providing a ROFR in all circumstances? If not, in which circumstances would it and would it not apply?
- b. If there have been any updates to the August 14, 1997, letter or any other correspondence between Park/Mountain and/or Carlyle related to a City right of first refusal if Mountain Water Co. should be sold, please provide copies.

PSC-037

Regarding: City of Missoula's interest in owning Mountain Water
Witness: Engen

- a. At paragraph #8 of your testimony, you state the City "would provide more accountability." Please explain why you believe a publicly owned utility would be more accountable than a regulated privately-owned utility.
- b. Please provide detailed information regarding the City's financial capacity to purchase and operate Mountain Water, how such a purchase would be financed, and the effect on rates.
- c. Why should the PSC consider the City's interest in owning its own water utility during this proceeding, which is between Carlyle and Park/Mountain Water?
- d. Is the City in possession of any information that would lead it and the PSC to believe that Carlyle has any interest in selling Mountain Water to the City? If so, please provide it.
- e. Might it be possible and make more economic sense for the City to attempt to purchase the utility directly from Park Water or Mountain Water, instead of purchasing it from a subsequent buyer?

PSC-038

Regarding: Carlyle as purchaser
Witness: Engen

Explain why the City apparently believes it would be in the best interest of Missoula water customers for Park/Mountain Water to be sold to a multinational investment group like Carlyle that has no experience in operating a water utility.