

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

IN THE MATTER of the Joint Application)	REGULATORY DIVISION
Of Liberty Utilities Co., Liberty WWH, Inc.,)	
Western Water Holdings, LLC, and Mountain)	DOCKET NO. D2014.12.99
Water Company for Approval of a Sale and)	
Transfer of Stock)	
)	

**DATA REQUESTS OF THE MONTANA CONSUMER COUNSEL
TO JOINT APPLICANTS**

MCC-001

Regarding: City of Missoula's Offer
Witness: Robert Dove

In your testimony at page 7, lines 2 to 4, you state "Carlyle Infrastructure also conducted internal analysis and concluded that there would be a significant value degradation in our investment in Western Water if the City's offer was accepted." Please provide all analyses and related documents that you referred to in the above statement.

MCC-002

Regarding: City of Missoula's Offer.
Witness: Robert Dove

In your testimony at page 7, lines 5 to 7, you state "...Carlyle Infrastructure rejected the offer because it did not reflect the full value of Mountain Water and because the offer would trigger other issues, including capital gains tax and a make-whole premium on Park Water's bond."

- (a) Please explain in detail what other issues accepting the offer would have triggered.
- (b) Please provide full details regarding the capital gains tax and make-whole premium issues that would be triggered by accepting the offer.
- (c) Please provide all analyses of the full value of Mountain Water.

MCC-003

Regarding: Offers for Acquisition.
Witness: Robert Dove

In reference to your testimony at pages 9 and 10, please provide a list of the entities that submitted unsolicited interest and inquiries regarding Western Water's ownership in Park Water.

MCC-004

Regarding: Offers for Acquisition.
Witness: Robert Dove

In reference to your testimony at page 10, line 10, please provide a list of the 13 respondents that submitted indication of interest during Phase 1 of the competitive auction process.

MCC-005

Regarding: Phase 2 of the Competitive Auction Process.
Witness: Robert Dove

In reference to your testimony at page 10, lines 10 to 13, please provide the list of the 4 respondents that submitted binding proposals in Phase 2 of the competitive auction process, and a summary of the terms of each of these proposals (e.g., proposed purchase price, contingencies, conditions, etc.).

MCC-006

Regarding: Financial Statements.
Witness: John Kappes

Please provide complete copies of all Mountain Water annual financial statements for each of the most recent five years, and financial statements for the first quarter of 2015 as soon as they become available.

MCC-007

Regarding: Capital Expenditures.
Witness: John Kappes

The table shown on page 5 of your testimony describes the actions taken to honor the commitments made by Carlyle Infrastructure in Docket No. D2011.1.8. One of the actions is: "Capital expenditure planning started at first of the year and all projects

funded.” Please provide the detailed capital expenditure planning for the most recent five years, including 2015.

MCC-008

Regarding: Long-Term Debt.
Witness: John Kappes

Please provide all details of the two \$15 million long term debt issues by Park Water in 2013 and 2014, as mentioned in the table at page 5 of your testimony describing the actions taken to honor the commitments made by Carlyle Infrastructure in Docket No. D2011.1.8.

MCC-009

Regarding: Capital Expenditures.
Witness: John Kappes

In your testimony at page 8, lines 4 to 6, you state “if anything, I believe Liberty Utilities will invest in and improve Mountain Water’s assets for the benefit of our customers.” Do you believe capital expenditure planning for Mountain Water will increase in comparison to Carlyle’s planned capital expenditures if the merger is approved? Please explain and provide all documentary and other support for your response.

MCC-010

Regarding: Enterprise Value.
Witness: David Pasioka

Please provide a working copy, including data, supporting spreadsheets and all formulas and links intact, of the financial model used in evaluating the acquisition of Park Water Company by Liberty Utilities Co.

MCC-011

Regarding: Merger Savings.
Witness: David Pasioka

Has Liberty Utilities identified any operation cost savings or other savings (e.g., financial costs, etc.) that can be achieved at Mountain Water by its acquisition? If so, please provide complete estimates and documentation of those potential merger savings.

MCC-012

Regarding: Liberty Utilities' Philosophy.
Witness: David Pasieka

In your testimony at pages 6 and 7 you describe the philosophy of Liberty Utilities regarding the operation of its regulated utility businesses. Do you believe that if Liberty Utilities takes control of Park Water, and specifically Mountain Water, its operations will be more efficient, productive or cost effective, resulting in benefits to Montana customers? Please provide a detailed explanation of your response, including a discussion of how such benefit would be (i) achieved, and (ii) shared with Montana customers.

MCC-013

Regarding: Typical State Operating Structures.
Witness: David Pasieka

In your testimony at page 8, lines 9 to 10, you state: "Overtime, we expect we may actually grow our Montana work force as we create one of our typical state operating structures around Mountain Water." Please explain this anticipated workforce growth in detail, including the functions that will be performed and cost estimates for the anticipated work force growth. Also, explain in detail and with specific examples what is meant by "our typical state operating structures."

MCC-014

Regarding: Liberty Utilities' Credit Facility.
Witness: David Pasieka

In your testimony at page 11, lines 7 to 8, you state: "Liberty Utilities has a \$200 million credit facility and it spent approximately \$178 million in 2014 for capital expenditures":

- (a) Please provide complete details about terms, holder, draws, current balance, etc. of this credit facility.
- (b) Please explain the process and requirements that subsidiary utilities must follow to draw from this credit facility.
- (c) Please provide a breakdown of the current use of this credit facility by each Liberty Utilities subsidiary.

MCC-015

Regarding: Liberty Utilities' Access to Capital.
Witness: David Pasieka

If Mountain Water is acquired by Liberty Utilities, will Mountain Water's access to capital be better and under better terms than currently is the case? Please explain your answer in detail.

MCC-016

Regarding: Leakage and Aging Infrastructure.
Witness: David Pasieka

In reference to the leakage and aging infrastructure of Mountain Water, you state in your testimony at pages 19 - 20 that it is Liberty Utilities' intent to facilitate the current plans the existing team of water professionals have created. Please provide a copy and full explanation of the detailed plans you are referring to.

MCC-017

Regarding: Ring Fencing Conditions.
Witness: David Pasieka

In your testimony at page 20, lines 5 to 13, you state that Liberty Utilities is prepared to accept "similar" ring fencing conditions to those imposed in Docket D2011.1.8. You also state: "The changes to the dividend and cash management ring-fencing provisions we proposed were intended to preserve that flexibility to allow integration."

- (a) Do you understand and agree that all of the present ring-fencing conditions will remain in place until, when and if, the Commission explicitly modifies those conditions.
- (b) Please identify specifically and explain in complete detail what changes you are proposing to existing ring-fencing conditions, and specifically how each of the changes that you propose will "preserve flexibility" and "allow integration."
- (c) Please explain in complete detail and with specific examples exactly what you mean by "flexibility" and "integration" in this context.
- (d) As regards cash management ring-fencing, please explain in complete detail and with specific examples what you mean by best practices for protecting MWC's credit from the risks associated with participating in such an agreement.

MCC-018

Regarding: Financing.
Witness: David Pasieka

In reference to your testimony at pages 22 and 23:

- (a) At page 23, lines 13 to 15, you state “the notion of a return on investment above rate base is a non-issue and will not impact water rates for customers of Mountain Water.” Do you also understand and agree that a rate of return on rate base above Liberty’s actual cost of capital is a non-issue and will not impact water rates for customers of Mountain Water?
- (b) Specifically, at page 22, lines 8 to 9 and lines 14 to 15, you state: “Liberty Utilities does not expect to recover the acquisition premium it is paying for Park Water through rates... and, because we are not seeking an acquisition adjustment, the notion of recovering an acquisition premium does not apply.” Does this mean that Liberty will not attempt to recover a premium by charging rates that reflect a rate of return that exceeds Liberty’s actual cost of capital? If not, please provide a full explanation.