

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

IN THE MATTER OF the Joint Application of Liberty Utilities Co., Liberty WWH, Inc., Western Water Holdings, LLC, and Mountain Water Company for Approval of a Sale and Transfer of Stock	REGULATORY DIVISION DOCKET NO. D2014.12.99
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**DATA REQUESTS CITY-001 THROUGH CITY-031 OF
THE CITY OF MISSOULA TO THE JOINT APPLICANTS**

CITY-001

Regarding: Project Orchard Confidential Information Memorandum
Witness:

In the Project Orchard Confidential Information Memorandum of June 2014, it was represented, on page 112, that the "Year End Rate Base" for Mountain Water would increase from 39.7 in 2013 to 59.6 in 2019.

- a. Did you perform any evaluation, due diligence, or analysis regarding this reported anticipated increase in the rate base?
- b. If so, please describe, in detail, the evaluation, due diligence, or analysis you performed, including but not limited to your conclusions.
- c. Please produce all documents reviewed, prepared, or relied upon in the evaluation, due diligence, or analysis referenced above.

CITY-002

Regarding: Due Diligence
Witness:

- a. Have you ever performed any evaluation, due diligence, or analysis regarding this a potential or anticipated increase in rates charged to consumers of Mountain Water?
- b. If so, please describe, in detail, the evaluation, due diligence, or analysis you performed, including but not limited to your conclusions.

- c. Please produce all documents reviewed, prepared, or relied upon in the evaluation, due diligence, or analysis referenced above.

CITY-003

Regarding: Project Orchard Confidential Information Memorandum

Witness:

In the Project Orchard Confidential Information Memorandum of June 2014, it was represented, on page 97, that "Mountain Water has historically filed rate cases every two years. Following Mountain Water's next rate case filing, the utility intends to begin filing annual rate cases with the MPSC. Mountain Water had originally planned to file its next rate case by April 2014 using a 2013 test year, however given issues around the condemnation proceedings, the rate case filing timing for 2014 is under review."

- a. Did you perform any evaluation, due diligence, or analysis regarding Mountain Water's intention to begin filing a rate case every year?
- b. If so, please describe, in detail, the evaluation, due diligence, or analysis you performed, including but not limited to your conclusions.
- c. Please produce all documents reviewed, prepared, or relied upon in the evaluation, due diligence, or analysis referenced above.

CITY-004

Regarding: Rates

Witness:

- a. In the event the instant Joint Application for Approval of a Sale and Transfer of Stock is approved and performed, do you intend to file annual rate cases, as opposed to every two years?
- b. If so, please set forth your rationale for the approach.
- c. Please produce all documents reviewed, prepared, or relied upon in answering this data request.

CITY-005

Regarding: Rates

Witness:

- a. In the event the instant Joint Application for Approval of a Sale and Transfer of Stock is approved and performed, when do you anticipate

making the first application for a rate increase, and how frequently do you anticipate that such applications will be made going forward?

- b. Please produce all documents reviewed, prepared, or relied upon in answering this data request.

CITY-006

Regarding: Rates

Witness:

- a. In the event the instant Joint Application for Approval of a Sale and Transfer of Stock is approved and performed, what do you anticipate as being the amount of the first rate increase you will request, and any subsequent rate increases?
- b. Please produce all documents reviewed, prepared, or relied upon in answering this data request.

CITY-007

Regarding: Capital Improvements

Witness:

- a. In the event the instant Joint Application for Approval of a Sale and Transfer of Stock is approved and performed, please describe all capital improvements you would make in the first five years of operation.
- b. Please produce all documents reviewed, prepared, or relied upon in answering this data request.

CITY-008

Regarding: Capital Improvements

Witness:

- a. In the event the instant Joint Application for Approval of a Sale and Transfer of Stock is approved and performed, please provide an itemized calculation of the cost of all capital improvements you would make in the first five years of operation.
- b. Please produce all documents reviewed, prepared, or relied upon in answering this data request.

CITY-009

Regarding: Capital Improvements

Witness:

- a. In the event the instant Joint Application for Approval of a Sale and Transfer of Stock is approved and performed, please state how all capital improvements you would make in the first five years of operation would be paid for.
- b. Please produce all documents reviewed, prepared, or relied upon in answering this data request.

CITY-010

Regarding: Project Orchard Confidential Information Memorandum
Witness:

In the Project Orchard Confidential Information Memorandum of June 2014, it was represented, on page 74, that “[a]s the only large investor-owned water utility in Montana, Mountain Water is well-positioned to acquire small water utilities around Missoula and other parts of the state.”

- a. Did you perform any evaluation, due diligence, or analysis regarding Mountain Water’s ability to acquire small water utilities?
- b. If so, please describe, in detail, the evaluation, due diligence, or analysis you performed, including your conclusions.
- c. Please produce all documents reviewed, prepared, or relied upon in answering this data request.

CITY-011

Regarding: Project Orchard Confidential Information Memorandum
Witness:

In the Project Orchard Confidential Information Memorandum of June 2014, it was represented, on page 74, that “[w]ater loss due to leakage remains high with non-revenue water production accounting for over 40% of total water production.”

- a. Did you perform any evaluation, due diligence, or analysis regarding leakage at Mountain Water, including necessary capital expenditures and maintenance to address the problem?
- b. If so, please describe, in detail, the evaluation, due diligence, or analysis you performed, including your conclusions.
- c. Please produce all documents reviewed, prepared, or relied upon in answering this data request.

CITY-012

Regarding: Project Orchard Confidential Information Memorandum
Witness:

In the Project Orchard Confidential Information Memorandum of June 2014, page 107, Figure 83 provides a "Company-Funded Segment Capital Investment Forecast." This forecast demonstrates that capital investment was or is anticipated to be significantly higher at Park Central Basin and Apple Valley than it is at Mountain Water. In the case of Park Central Basin, for instance, capital investment for each of the seven years identified was or is anticipated to be more than double the amount of capital investment at Mountain Water.

- a. Did you perform any evaluation, due diligence, or analysis regarding the reasons capital investment was or is anticipated to be so much less at Mountain Water?
- b. If so, please describe, in detail, the evaluation, due diligence, or analysis you performed, including your conclusions.
- c. Please produce all documents reviewed, prepared, or relied upon in answering this data request.

CITY-013

Regarding: Project Orchard Confidential Information Memorandum
Witness:

In the Project Orchard Confidential Information Memorandum of June 2014, on page 112, Figure 91 provides a "Park Water Regulated Summary" that includes forecasted authorized rates of return for the years 2014 through 2019. All of these forecasted numbers exceed the current authorized rate of return of 9.25%.

- a. Did you perform any evaluation, due diligence, or analysis regarding the forecasted authorized rates of return?
- b. If so, please describe, in detail, the evaluation, due diligence, or analysis you performed, including your conclusions, and also state the bases upon which the authorized rates of return were calculated to exceed 9.25%.
- c. Please produce all documents reviewed, prepared, or relied upon in answering this data request.

CITY-014

Regarding: Park Water Services

Witness:

In the deposition of David Pasioka on June 20, 2015, Mr. Pasioka testified that if the acquisition goes through, Liberty Utilities Canada will eventually provide the services Park Water corporate currently provides to Mountain Water.

(Transcript of Deposition of David Pasioka, 79:24-84:23.)

- a. If the acquisition goes through, what allocation would be required of Mountain Water to pay for the services provided by Liberty Utilities Canada?
- b. Please produce all documents reviewed, prepared, or relied upon in answering this data request.
- c. Does Liberty Utilities Canada intend to dissolve Park Water, or will Park Water otherwise cease to exist if and after the acquisition goes through?

CITY-015

Regarding: Payment of Salaries

Witness:

- a. Please provide the current salary information for all individuals you employ who would be paid, in whole or in part, from the allocation of any proceeds from Mountain Water.
- b. Please produce all documents reviewed, prepared, or relied upon in answering this data request.

CITY-016

Regarding: Revenue

Witness:

- a. In the event the acquisition goes through, are you predicting growth in revenues?
- b. If so, please state how much growth you are predicting each year for the next five years.
- c. Please state the source(s) and basis for your growth projections.
- d. Please produce all documents reviewed, prepared, or relied upon in answering this data request.

CITY-017

Regarding: Capital Improvements

Witness:

- a. In the event the acquisition goes through, will the revenue derived from Mountain Water's ratepayers continue to be allocated, in part, to capital improvements in other communities?
- b. If so, please state how much revenue derived from Mountain Water's ratepayers will be allocated to pay for capital improvements in other communities, annually, over the next five years?
- c. Please produce all documents reviewed, prepared, or relied upon in answering this data request.

CITY-018

Regarding: Investor Presentations

Witness: Robert Dove

In response to PSC-002(c), you indicate that "no such presentations occurred for the directors of Western Water." In that regard, please:

- a. Identify all Carlyle Infrastructure Partners, LP ("Carlyle"), Western Water Holdings, LLC ("WWH"), Park Water, and/or Mountain Water personnel who attended the presentation for WWH.
- b. Identify all personnel who participated in any way in either preparing the presentation or providing materials used in the presentation.
- c. Identify whether or not such presentation, either in draft or in final form, is in the care, custody, and/or control of Carlyle, WWH, Park Water, and/or Mountain Water.
- d. Please also identify all documentation, whether in electronic or paper format, that was provided to the Board of Directors of WWH in order to prepare the presentation.

CITY-019

Regarding: Investor Presentations

Witness: Robert Dove

Please produce a copy of the presentation given by the Directors of WWH. If your response is such that the presentation is no longer in the possession of WWH, please identify the following:

- a. When the presentation was last in the possession of WWH.
- b. Who presently has control of either a copy or an original of the presentation.

CITY-020

Regarding: Valuation
Witness: David Pasieka

In response to PSC-002's request that you provide "all work papers that support the valuation of the offer presented to WWH, including spreadsheets with formula intact," Liberty Utilities indicated that a "separate valuation from Mountain Water" was not made as it was based on an "enterprise value for park water, Apple Valley and Mountain Water."

- a. Since a "separate value" was not determined, please produce a copy of all documents, whether electronic or paper, which were provided to Liberty Utilities in order to calculate the purchase price of \$327 million dollars for all three companies.

CITY-021

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." Why do you believe that a rate of return on rate base above Liberty Utilities' actual cost of capital is a non-issue and will not impact water rates for customers of Mountain Water?
- b. At page 22, lines 8-9 and lines 14-15, 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 Utilities will not attempt to recover a premium by charging rates that reflect a rate of return that exceeds Liberty Utilities' actual cost of capital? If not, please provide a full explanation.

CITY-022

Regarding: Park Water
Witness: David Pasieka

- a. Does Liberty Utilities intend to close now, or in the foreseeable future, Park Water?
- b. If so, how and when would it close Park Water?
- c. What would happen to the Park Water employees?

CITY-023

Regarding: Park Water
Witness: David Pasieka

It has been represented that Liberty Utilities is proposing to replace the services provided by Park Water with their own administrative services:

- a. Will this be considered an operational savings for Mountain Water? If so, how much of a savings?
- b. Are there any other areas of operational savings that have been identified with regard to Mountain Water?

CITY-024

Regarding: Rates
Witness: David Pasieka

Have specific rate increase percentages on an annual or less frequent basis been determined for water rate increase applications? If so, please specify in detail.

CITY-025

Regarding: Profits
Witness: David Pasieka

What monetary amount of annual profit is anticipated to be achieved through Liberty Utilities' ownership structure?

CITY-026

Regarding: Dividends
Witness: David Pasieka

What monetary amount of annual dividends does Liberty Utilities intend to have as an annual goal throughout its ownership?

CITY-027

Regarding: Bottling
Witness: David Pasieka

Are there any plans or have there been discussions of a bottling operation or any other operation for the sale of water from any of the Mountain Water Company water rights?

CITY-028

Regarding: Future Ownership Capital Improvements
Witness: David Pasieka

Specifically, what are Liberty Utilities' plans to address the capital improvement need in the first five (5) years of ownership, including, but not limited to:

- a. Aged and leaking water mains?
- b. Aged water pumps?
- c. The Rattlesnake intake dam and Rattlesnake creek?
- d. Wilderness dams located in the Rattlesnake Wilderness?
- e. Any other capital improvement necessary to improve the aged Water System?

CITY-029

Regarding: Capital Structure
Witness: David Pasieka

- a. Describe the capital structure in terms of the percentage of debt and equity you intend to maintain for the Mountain Water business going forward.
- b. Describe the optimal capital structure for the Mountain Water business.

CITY-030

Regarding: Boards
Witness: David Pasieka

In response to PSC-001, Liberty indicates, "APUC owns 100% of the issued and outstanding common shares of Liberty Utilities (Canada) Corp., a Canada corporation, which owns all of the issued and outstanding common shares of Liberty Utilities (America) Ventures, Inc., a Delaware corporation, which owns all of the issued and outstanding common shares of Liberty Utilities (America)

Co., a Delaware corporation, which owns all of the issued and outstanding common shares of Liberty Utilities (America) Holdco Inc., a Delaware corporation, which owns all of the issued and outstanding shares of Liberty Utilities Co., a Delaware corporation, which owns the utility subsidiaries” and in response to PSC-005(1), Liberty provides, “[t]he members of the board of directors for Liberty Utilities Co., are Ian Robertson, Richard Leehr and Greg Sorensen.”

- a. Please identify each of the corporate board(s) referenced above on which Robertson, Leehr and Sorensen serve.
- b. Please identify which corporation reviewed and authorized the purchase of WWH.

CITY-031

Regarding: Boards
Witness: David Pasieka

- a. Please provide board meeting minutes and/or records for the entities described above.
- b. Please provide tax returns for the entities described above.

Dated this 21ST day of April 2015.



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CERTIFICATE OF SERVICE

This is to certify that the foregoing was duly served by mail and email upon the following counsel of record at their addresses this 21ST day of April 2015:

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