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

*****

IN THE MATTER OF 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

CITY OF MISSOULA'S RESPONSES TO THE PUBLIC SERVICE COMMISSION'S FIRST SET OF DATA REQUESTS TO THE CITY OF MISSOULA

The City of Missoula provides the attached responses to the Public Service Commission's First Set of Data Requests to the City of Missoula.

Dated this 2nd day of December 2015.

Scott M. Stearns
Natasha Prinzing Jones
BOONE KARLBERG P.C

Jim Nugent
City of Missoula
CITY ATTORNEY'S OFFICE

Attorneys for the City of Missoula

PSC-052

Regarding: Qualifications
Witness: Close

a. Please describe in more detail your qualifications to analyze financial models, specifically your experience in depreciation analysis and cost of service models.

b. In how many rate cases before the state of Montana, or other states, have you provided expert testimony?

RESPONSE TO PSC-052:

a. As the Vice President of Operations and Engineering of the American Water Works Company's western region operating companies Mr. Close was responsible for the justification of capital improvements including all adjustments to rate base as well as justification of all operations and maintenance expenses for all four AWWC operating companies, California American Water Co., Arizona American Water Co, New Mexico American Water Co, and Hawaii American Water Company. In this role Mr. Close was responsible for the day to day operations of each operating division which included the documentation (work orders) for all capital improvements to the water systems including all retirement work orders (cost of removals, salvage value, etc.), and maintenance work orders. This documentation was used to adjust utility plant/rate base and served as the basis for the depreciation study that was submitted to the commissions for approval to justify the depreciation rate for each asset class/utility plant account.

Currently as the National Director of Utility Management Services at HDR, Mr. Close manages the Utility Rate and Finance technical services which provides utility rate studies, impact fee studies, cost of service studies, utility financing support, and other utility finance services to both public and private water and wastewater utilities across the country. The Utility Rates and Finance practice lead who works for Mr. Close is Mr. Tom

Gould who annually teaches the AWWA utility rate course across the country. Mr. Close's responsibility is to provide management and technical oversight of the Utility Rate and Finance services that HDR offers its clients.

b. Mr. Close has not testified in front of the Montana PSC previously but has testified and participated in over 15 rate case proceedings in California, Arizona, New Mexico, and Pennsylvania.

PSC-053

Regarding: Industry Standards
Witness: Close

a. What proxy companies are included in the industry standards referenced throughout your testimony? If there are no comparable companies, please indicate how a comparison can be made between companies.

b. What proxy companies, if any, were used in your analysis of Mountain Water?

c. Regarding industry standards, please explain the legal ramifications of not being in compliance with industry standards. Is Mountain Water breaking the law?

<u>RESPONSE TO PSC-053:</u>

a. As the Vice President of Operations and Engineering at AWWC, Mr. Close was responsible for the day to day operations, engineering, water quality (including 2 state certified laboratories in CA), risk management, planning, construction, and rate recovery of four AWWC operating companies. Several of the division operations, including Monterey, LA, Paradise Valley, etc. have very similar type operations as MWC. Additionally Mr. Close was a senior design engineer in AWWC's corporate engineering department and was responsible for the capital improvements and operations of numerous projects supporting the AWWC's operating companies across the country. In this capacity Mr. Close had the opportunity to inspect and assess the condition and operating efficiency of most of AWWC's operating divisions. As AWWC is the largest investor owned utility in the country, Mr. Close was exposed to and has experience with a broad and diverse number of water utility operations. Additionally during his tenure at AWWSC Mr. Close was responsible for the development and preparation of many of AWWC's engineering standards and operating procedures that are still used today.

At HDR, Mr. Close serves as the National Director of Utility Management Services and in this capacity provides high level utility management consulting services including the optimization of a utility's operation and management that have resulted in the savings of $100 millions in operating costs. These optimization projects establish performance goals and metrics as compared to numerous public and private utilities benchmarked by HDR over the past decade.

b. AWWC, AWWS, California American Water Co, Arizona American Water Co, New Mexico American Water Co, Hawaii American Water Co, Pennsylvania American Water Co, New Jersey American Water Co, Kentucky American Water Co, Missouri American Water Co, Iowa American Water Co, West Virginia American Water Co, Tennessee American Water Company, Ohio American Water Co, Indiana American Water Co, City of San Diego, Otay Water District, Seattle Public Utilities, San Antonio Water System, City and County of Honolulu, San Jose Water Company, Citizens Utilities, Village of South Orange, NJ; CCWRD, City of Chula Vista, City of Boulder (CO), and many more.

c. While MWC is not breaking any statute or code, MWC is violating best practices by not meeting industry standards for the condition and operation of its utility assets. MWC would be breaking the law if they did not comply with all state and federal water quality standards and other regulations including environmental regulations.

PSC-054

Regarding: Depreciation
Witness: Close

a. Please provide specific evidence of the questionable capital expenditures and accelerated depreciation that you reference on page 4 of your testimony.

b. Please explain your reasoning as to why depreciation does not also benefit ratepayers.

<u>RESPONSE TO PSC-054:</u>

a. Regarding the accelerated depreciation, please see the report disclosed in response to MW/WWH-013. Regarding the questionable capitalized items, upon a review of the capitalized items from 2012, 2013, and 2014, there were numerous items that appear to be improperly capitalized, especially for replacement/repair items. If an asset is replaced, there should be a corresponding retirement work order that records the cost of removal and any salvage value (if applicable). All replacement assets should have some cost of removal noted and Mountain Water appears to be capitalizing that cost. The detailed list of Mountain Water's 2012, 2013, and 2014 capitalized expenditures are produced with this response (CITY-PSC 002195-002205). Examples include:

- 2014
  - Job # 31110063 - Carter Lake Spillway $727.32 - appears as maintenance since there is no direct asset).
  - Job# 31130101 - Repl 20" main on Hillview $804,131 - there should be cost of removals and disposal costs that should be charged to the depreciation account and treated as an expense. What appears to be happening is that is cost is the total cost of the contract from a contractor and instead of having the

contractor break out the cost of removal and disposal on a schedule of values that are capitalizing those costs.

- Job# 31140046 - Repl pump/motor at Momont W17 - There should be the cost of removal of the existing pump and motor plus the disposal cost that again should be charged to the depreciation account and treated as an expense.

2013

- Job# 31120128 - Remove House at Dam - $5889.45 - this is entirely a cost of removal of an existing asset and should not be capitalized and treated as an expense.

b. Depreciation is used to provide an assessment of the condition of the utility assets and risks, both operational and financial to regulators, rate payers and investors. Public agencies, in accordance with GASB 34 record accumulated depreciation for this very purpose and depreciation is recorded on the agencies financial statement. Investor owned utilities are allowed this depreciation of assets as an expense that is recovered through customer's rates and lowers rate base that the IOU can earn a return on. If an IOU has a depreciation expense higher than the capital investment it makes in any given fiscal year then the amount of depreciation in excess of capital investment is a profit to the utility. So it is a financial benefit to the IOU to accelerate depreciation expense which is not a benefit to the rate payer and prematurely depreciates the utility assets many times before the end of the assets' useful life which provides a distorted representation of the condition of the assets to both ratepayers and investors. Customers do not receive any direct benefit to the water service they are provided as a result of depreciation.

RESPONSE TO PSC-054

ATTACHMENTS
CITY-PSC 002195-002205

Job #	Description	Dollars spent in 2012
31000030	Miller Creek Hydraulic	$ -
31060144	Remove 30" wood main	$ -
31090012	Canyon River Water Rights	$ -
31090096	Palmer St Water Rights	$ 4,486.78
31090097	Rattlesnake Wells Water Rights	$ -
31090098	Canyon River Water Rights Litigation	$ -
31110021	Ethernet Radios	$ 14,285.02
31110056	Repl Hawthorne Main	$ -
31110057	Repl A Street Main	$ -
31110063	Carter Lake Spillway	$ 11,307.94
31110087	Repl Pump/Motor @ W19-N Russell	$ 37,142.96
31110118	Taps - Silvertip Apartments	$ 2,047.50
31110119	Taps - Mullan Ranch Apartments	$ 11,094.30
31110120	Taps - Reno Casino (Job cancelled - taps contributed)	$ -
31110122	Repl Valve @ McKinley Lake	$ -
31110124	Inst Drinking Fountains	$ 30,064.66
31110136	Repl BO293 - Ernest St R?	$ 1,323.00
31110150	Repl Madison St R?	$ 3,610.13
31110151	Palmer Well Upsize	$ 7,993.69
31110152	ArcFlash - Incl Skyview	$ 18,811.46
31110153	Schilling Wellhouse	$ -
31120001	Taps on existing mains	$ 36,279.12
31120002	Meter Installs-2012	$ 53,709.18
31120003	Purch Meters - 1,1 1/2,2"	$ 27,153.00
31120004	Purch Meters - 5/8"	$ 40,464.90
31120005	Purch PC for Gas Sniffer station supplies	$ 301.65
31120006	Purch 2 Cameras supplies	$ 188.98
31120007	Purch Pipe Locator	$ 3,275.66
31120008	Purch 3 Chlorine Pumps	$ 5,262.60
31120009	Purch RSLogix Software supplies	$ 1,611.96
31120010	Purch Headset - Patricia supplies	$ 285.60
31120011	Purch Laptop for Distribution supplies	$ 4,420.50
31120012	Repl Pump/Motor @ W21-E Central	$ 50,026.58
31120013	Purch Meters - 1,1 1/2" for the City Parks & Rec	$ 23,485.73
31120014	Repl gates to parking lot	$ 10,920.00
31120015	Purch Remit PC	$ 3,016.32
31120016	Purch Bookcase/File Cabinet for Ross supplies	$ 1,581.85
31120017	Repl 16" hub-S 4th E/Madison	$ 11,116.29
31120018	Repl Main St - Madison to Woody	$ 860,790.08
31120019	Hillview Tank	$ 23,832.69
31120020	Repl H277 - Fairview/Hollis	$ 8,570.81
31120021	Purch Antenna supplies	$ 514.77
31120022	Purch 3 CL2 Vats supplies	$ 1,060.50
31120023	Repl Phase Failure Relay - B05c R?	$ 129.55
31120024	Purch Eye Wash Stations supplies	$ 640.50
31120025	Repl Primer Line Solenoid Valves-W4 & 42 R	$ 586.22
31120026	Purch Headset - Kathryn supplies	$ 287.70
31120027	Purch 4 Computers - Lee,Sue,Logan,Sara	$ 6,511.70
31120028	Inst Light & Door Opener-S side of building supplies	$ 864.82
31120029	Purch MagFlow Meter Converters supplies	$ 3,547.01
31120030	Repl University/Arthur & Keith Avenues	$ 206,495.62
31120031	Purch Meters - 1" & 3"	$ 25,042.50
31120032	Inst FH #1417 - South/27th Ave	$ 7,009.53
31120033	Purch Harness supplies	$ 261.43
31120034	Repl ARV4626-27 CANCEL-Maintenance	$ -
31120035	Repl V1374 CANCEL-Maintenance	$ -

EXHIBIT 87
Deponent
Date Rptr
WWW.DEPOBOOK.COM

CONFIDENTIAL

MW-007411

Job #	Description	Dollars spent in 2012
31120036	Repl V531 - Dickens/Cooley-Turner alley	$ 4,977.53
31120037	Repl V559 - Rodgers/Dickens	$ 4,805.08
31120038	Inst Fence @ Well Sites - W1,13,23/24,27,29,35	$ 44,335.50
31120039	Inst Flow Meters @ Boosters - B1,4,16	$ 31,530.03
31120040	Taps - Flynn Ranch Ph 1 - Lot 1 Supplies	$ 253.05
31120041	Repl Solenoid & Transducer at SOV #5 R	$ 1,553.26
31120042	Purch new Radios	$ 29,174.22
31120043	Repl Pump/Motor/Meter @ W23-Pattee Creek	$ 40,076.91
31120044	Purch Portable Scanner, Printer Supplies	$ 280.51
31120045	SCADA Remote View	$ 38,217.01
31120046	Purch Meters - 3/4"	$ 28,535.22
31120047	Repl 1 1/4" valve @ PRV 24 - Lincoln Hills Dr R	$ 331.41
31120048	Repl H958 - Garland/Clearview	$ 12,913.26
31120049	Purch 2 SCADA Servers	$ 9,532.26
31120050	Purch Pump for temp water & vats for chlorinating	$ 10,581.15
31120051	Repl Tap - 820 Dakota R	$ 840.00
31120052	Repl Tap - 200 block E Pine - boulevard	$ 4,374.30
31120053	Repl Tap - 300 block E Pine - boulevard	$ 4,374.30
31120054	Lighting Upgrade in Warehouse	$ 9,780.33
31120055	Repl Phase Failure Relay - B27b R	$ 200.72
31120056	Purch Generator @ B26-MansHghts w/trans switch	$ 67,609.98
31120057	Inst Transfer Switch @ W32-Arthur	$ 15,743.93
31120058	Sprinkler system at W4 - E Missoula Supplies	$ 1,002.75
31120059	Inst 10" Valve - Higgins/Main	$ 15,752.67
31120060	Purch Motor Transport Bracket - Veh #44 Supplies	$ 357.53
31120061	Purch Chlorimeter for Jerry S Supplies	$ 448.30
31120062	Inst Load Shedding @ Up Lincoln Hills B7	$ 7,126.43
31120063	Inst 24" Valve - Helen/Evans	$ 16,235.83
31120064	Purch Meters - 3/4, 1, 1 1/2, 2" Master	$ 28,294.75
31120065	Purch Meters - 2 & 3" Metron	$ 11,744.25
31120066	Telemetry Expansion	$ 247,598.63
31120067	Cathodic Protection on 20" main crossing river	$ 6,421.74
31120068	Purch Laminator Supplies	$ 513.57
31120069	Repl Primer Line Solenoid Valves-W19 & 31 R	$ 1,241.59
31120070	Purch Chainsaw for HDPE pipe Supplies	$ 313.95
31120071	Pumphouse insulation/siding/doors @ W1&2	$ 15,067.50
31120072	Inst Solenoids on CL2 lines @ 7 well sites	$ 4,348.13
31120073	Purch Meters - 3/4, 1 & 2" Master	$ 98,901.94
31120074	Purch Meters - 3/4, 1, 2, 3, 6, 8" Metron	$ 63,595.99
31120075	Repl Cherry/Locust alley - Monroe to Jackson	$ 216,575.33
31120076	Repl Russell main - Strand to 14th	$ 250,564.23
31120077	Purch Adobe Acrobat X Supplies	$ 2,576.70
31120078	Repl Starter @ W34-Maurice	$ 42,942.74
31120079	Purch Meter Reading Equipment Supplies	$ 3,465.00
31120080	Inst FH #1420 - 6212 Helena Dr	$ 9,359.13
31120081	Taps - Missoula Recovery Center Supplies	$ 609.00
31120082	Reloc H487 - Lolo to Gilbert/Powell	$ 11,370.78
31120083	Repl H486 - Lolo/Gilbert	$ 9,802.57
31120084	Repl Check Valve @ B16-Pattee Cyn Booster R	$ 532.75
31120085	Chlorine Room @ W23-Pattee Creek	$ 22,264.99
31120086	Add SOV & Meter @ B08-Upper Farviews	$ 22,707.60
31120087	Purch Bookcase for Angela Supplies	$ 198.45
31120088	Purch Trailer for Potable Water	$ 9,851.13
31120089	Remodel SCADA area	$ 10,723.32
31120090	Purch Meter Test Bench & remodel area	$ 60,711.49
31120091	New Roof on Chlorine buildings	$ 2,157.75

Job #	Description	Dollars spent in 2012
31120092	Repl Tap - 412 Whitaker	$ 5,246.90
31120093	Purch Fresh Air Blower & Ventilation Supplies	$ 964.32
31120094	Purch Monitors Supplies	$ 831.56
31120095	Repl FH609 - Southgate Mall	$ 5,553.50
31120096	Purch iWater Software	$ 57,701.49
31120097	Purch TV's for SCADA,Conf Room,Operations	$ 3,884.91
31120098	Purch Chlorine Barrel Pump Supplies	$ 1,066.38
31120099	Purch Demo Saw Supplies	$ 1,096.20
31120100	Purch Laptop, Printer & Mappoint Software	$ 6,549.40
31120101	Purch Meter Chamber - 10" UM	$ 1,623.76
31120102	Remove PRV #9 - Ravenwood	$ 6,523.19
31120103	Repl FH60 - Worden/N 5th	$ 14,623.72
31120104	Repl FH236 - E Central/Gerald	$ 10,518.90
31120105	Repl FH222 - Mansfield/Beverly	$ 14,193.10
31120106	Repl V634 - Howell/Shakespeare	$ 6,673.51
31120107	Repl V541 - Dickens/Charlo	$ 4,872.79
31120108	Repl V1688 - Ronald/McLeod	$ 5,461.11
31120109	Repl V944-5 - Catlin/5th	$ 22,029.37
31120110	Modular Offices - Production Area	$ 40,376.40
31120111	Repl Upper Lincoln Hills tank	$ 5,820.29
31120112	Purch 2 Balloon Lights	$ 7,047.86
31120113	Inst Transfer Switch @ B24-Old Quarry	$ 10,923.49
31120114	Repl 3 Fire Sprinklers w/Halon	$ 7,799.56
31120115	Purch Table & Chairs for John Supplies	$ 4,035.15
31120116	MT Power Water Rights Mitigation	$ 6,360.71
31120117	Purch 3 Scanners/1 Printer/1 Tablet Supplies	$ 1,782.91
31120118	Repl BO154 - S 3rd/Washburn	$ 5,998.49
31120119	Purch Meters - 3/4"	$ 40,924.80
31120120	Repl W Spruce St main-May to Nora+Toole/Scott Intersectio	$ 1,701.53
31120121	Repl 30" at Dam	$ 27,193.00
31120122	Purch Infowater License	$ 6,300.00
31120123	Purch Encoders	$ 17,062.71
31120124	Purch Meters - 3, 4, 6" Octave	$ 10,365.49
31120125	Purch Safety Videos Supplies	$ 665.55
31120126	CF portion of Linda Vista 12th Supplement	$ 4,800.76
31120127	Purch Microwave Supplies	$ 288.75
31120128	Remove House at Dam	$ 1,937.25
31120129	Purch Server	$ 41,932.79
31120130	Purch Smartboard Supplies	$ 976.79
31120131	Purch Portable Generators & Tools	$ 4,615.19
31120132	Purch TV for John' office Supplies	$ 603.73
3104PS03	PS - Palmer Well Upsize (moved to 31110151)	$ (7,993.69)
3105PS01	PS - Rattlesnake Treatment	$ -
3109PS01	PS - Twite/Maloney Water Rights	$ -
3109PS05	PS - CF Twite/Maloney Water Rights Mitigation	$ -
3109PS06	PS - Twite/Maloney Water Rights Mitigation	$ -
3111PS06	PS-Surge Analysis	$ 39,821.00
	TOTAL 2012 CAPITAL EXPENDITURES:	$ 3,567,565.88
	2012 BUDGET:	$ 3,500,000.00
	(OVER)/UNDER BUDGET:	$ (67,565.88)

CONFIDENTIAL

MW-007413

Ex 0087-003

CITY-PSC 002197

Job #	Description	Dollars spent in 2013
31060144	Remove 30" wood main	$12,448.48
31090012	Canyon River Water Rights	
31090096	Palmer St Water Rights	$819.00
31090097	Rattlesnake Wells Water Rights	
31090098	Canyon River Water Rights Litigation	
31110056	Repl Hawthorne Main	$96,587.50
31110057	Repl A Street Main	$71,795.02
31110063	Carter Lake Spillway	$4,248.91
31110122	Repl Valve @ McKinley Lake	
31110150	Repl Madison St	$762,808.67
31110151	Palmer Well Upsize	
31110153	Schilling Wellhouse	
31120019	Hillview Reservoir	$617,253.28
31120067	Cathodic Protection on 20" main crossing river	$490.88 - project? Sm.H
31120111	Repl Upper Lincoln Hills tank	$6,232.04
31120116	MT Power Water Rights Mitigation	
31120120	Repl W Spruce St main	
31120128	Remove House at dam	$5,889.45
31130001	Taps on existing mains	$39,369.25
31130002	Meter Installs-2013	$54,793.45
31130003	Purch System Monitoring Equip	$1,836.10
31130004	Purch Headset	$287.70
31130005	Purch Tools for Jason-new job	$7,198.50
31130006	Install Valve & BO's at Lowell School	$30,694.24
31130007	Purch Meters - 1,3,4,6" Master/Octaves	$48,162.48
31130008	Inst Bollards/Railings at Meter Test Bench	$2,591.40
31130009	Purch Shelves for Warehouse Supplies	$1,033.17
31130010	Purch Computer & Scanner Supplies	$4,093.74
31130011	Repl Flow Meter Converters - W40b,c	$2,532.48
31130012	Purch Dechlorinator w/Pitot Tube	$1,231.87
31130013	Inst Input Modules @ T9 & B15	$2,350.75
31130014	Purch Aquifer Model	$1,375.45
31130015	Repl Starter at Linda Vista Well - W 40c	$5,411.89
31130016	Inst Lighting & Halon Fire Sensors	$4,298.90
31130017	Purch Meters - 3/4" Master	$40,515.55
31130018	Purch Desk, Chairs, Divider	$8,113.98
31130019	Taps - Russell St Apartments	$22,050.00
31130020	Repl H941 - 55th/Ebb Way	$8,794.85
31130021	Repl Fan in SCADA closet Supplies	$451.28
31130022	Taps - Cottages @ Flynn Ranch	$8,526.00
31130023	Taps - Flynn Ranch Ph 2	$10,353.00
31130024	Inst CL2 Analyzer @ W13	$3,595.33
31130025	Purch Voice Cards Supplies	$2,104.36
31130026	Purch Correlator	$30,817.50
31130027	Repl Piping at Mark Ct booster #21	$4,805.20
31130028	Repl V2644 - Park/Pattee Creek	$7,314.26
31130029	Repl Transducer @ R13 - High Park	$754.28
31130030	Taps - Windsor Park VII Ph 2	$6,744.15
31130031	Repl Garage Door opener on lean-to building Supplies	$897.75
31130032	Purch Wireless Router Supplies	$657.52
31130033	Taps - Linnea Lane Ph 2	$2,226.00
31130034	Purch Meters - 1 1/2, 2, 3, 4" Octaves	$56,380.43
31130035	Purch Blinds for Dispatch Supplies	$194.57
31130036	Canyon River Surge Tank	$36,660.01
31130037	Security at Hillview Reservoir	$4,911.83
31130038	Repl BO 577 - Garfield/Wyoming	$6,352.94

Job #	Description	Dollars spent in 2013
31130039	Taps - Trail Street	$1,376.55
31130040	Purch Measuring Wheel Supplies	$192.85
31130041	Purch 2 Computers Supplies	$2,204.01
31130042	Repl H237 - Sussex/Ronald	$9,402.91
31130043	Repl H235 - Kent/Helen	$14,065.80
31130044	Repl H232 - North/Gerald	$14,028.66
31130045	Repl H231 - North/Hilda	$11,135.91
31130046	Repl H227 - Woodworth/Ronald	$10,620.35
31130047	Repl H229 - Woodworth/Maurice	$9,925.35
31130048	Repl H218 - Hastings/Ronald	$6,940.38
31130049	Repl H193 - S 9th/Catlin	$9,573.25
31130050	Install BO at 1100 block W Broadway	$4,650.16
31130051	Repl Toole/Scott St main for roundabout	$11,082.18
31130052	Inst Cables from Server to Switch room Supplies	$1,058.40
31130053	Install 2" valve @ 628 S 6th W	$7,633.48
31130054	Install 2" valve @ 6th St/Cottonwood	$5,595.33
31130055	Purch Meter Reading software	$30,434.78
31130056	Repl Owen/Broadway mains	$261,262.91
31130057	Repl V1980 - Woodford/Franklin	$5,964.24
31130058	Inst 8" Valve at 150 Grandview PRV #6	$3,272.17
31130059	Repl Taps at 150 Grandview Supplies	$292.53
31130060	Purch Harnesses Supplies	$525.05
31130061	Seal Server & Switch rooms for fire suppression Supplies	$2,709.00
31130062	Repl Starter at Pattee Creek Well - W23	$1,522.50
31130063	Generator Impr - W32 Arthur	$18,584.06
31130064	Inst Fencing at Well Sites	$41,839.26
31130065	Repl Wyoming/California tee	$1,988.49
31130066	Purch Letter Folding Machine Supplies	$4,336.17
31130067	Energy Efficiency Study	$40,659.21
31130068	Purch Meters - 3/4" Master	$23,267.18
31130069	Repl Taps - 508, 510 Alder	$5,262.97
31130070	McLeod Ave service line relocates	$28,264.70
31130071	Purch Tapping Gun	$2,813.01
31130072	Purch Meter Cart for Warehouse Supplies	$191.49
31130073	Repl Flow Meters at B6-Elk Ridge Boosters	$10,042.29
31130074	Repl V415 - Missoula Ave/Williams St	$6,473.14
31130075	Purch 3 Chlorine Pumps	$2,718.93
31130076	Purch Meters - 1" Master, 4" Octave	$84,158.46
31130077	Taps - Linda Vista 13th Supp	$13,167.00
31130078	Repl V2758-9 South Ave E/Hilda Ave	$13,468.64
31130079	Purch Receiver - Meter Reading Equip	$2,940.00
31130080	Telemetry Expansion	$340,502.34
31130081	Purch Software - Check21 Electronic Interchange License Supplies	$4,614.75
31130082	Purch Laptop Supplies	$679.31
31130083	Purch 2013 GMC Truck	$16,619.55
31130084	Purch Vise & Cordless Drill Supplies	$419.98
31130085	Purch 3 Microsoft Surface Pros	$3,574.16
31130086	Purch Fuel Cleanup Kit - EXPENSED	
31130087	Inst 12" Valve - E Pine/Monroe	$8,987.74
31130088	Purch Interface Converter Supplies	$380.93
31130089	Repl Flow Meter Converter - W4	$1,381.69
31130090	Purch Heavy Duty Axel, Tank, Pumps for Water Trailer	$3,207.54
31130091	Pumphouse Improvements - W4 E Missoula	$16,951.67
31130092	Pumphouse Improvements - W8 Schilling	$24,265.36
31130093	Pumphouse Improvements - B18 Hillview	$15,260.70
31130094	Repl Eyewash at Kiwanis-W31 Supplies	$538.99

Ex. D005-002

Original Exhibit 2103

Job #	Description	Dollars spent in 2013
31130095	Purch Meters - 3/4, 1, 2" Master	$81,939.47
31130096	CF portion-Wyoming St Mill Site job	$4,552.68
31130097	Purch Canopy Supplies	$167.99
31130098	Repl BO 310 - 36th/Grant	$4,992.20
31130099	Tie 2" Kern alley main to 12" in Russell	$15,361.82
31130100	Repl Tap - 1923 Charlotte	$4,176.25
31130101	Repl 20" main on Hillview	$15,115.60
31130102	Purch 3 printers - Dispatch & Denise Supplies	$1,550.83
31130103	Purch SAP Crystal Dashboard Design (Cami)	$441.79
31130104	Inst Fuel Containment at office	$13,206.50
31130105	Repl Flow Meters at W8 & W18, Schilling & Gharrett	$19,101.45
31130106	Inst Auto Transfer Switch at W2, W8, W23, W40, B23	$52,559.52
31130107	Inst 6" Valve at 5th/Russell	$6,764.74
31130108	Purch Meters - 8"	$9,486.88
31130109	Inst Fencing at Gerald Well	$19,146.18
31130110	Repl Disconnect at North Res - B13	$924.90
31130111	Ethernet Radios	$11,855.12
31130112	Repl V1134 - Walnut/6th	$7,218.33
31130113	Purch Rims/Tires/Chains for new Truck	$2,786.87
31130114	Repl Drinking Fountain at main office Supplies	$2,436.03
31130115	Taps - Gilbert St main ext	$1,260.00
31130116	Taps - Canyon River Ph 3	$3,522.75
31130117	Purch Camera for Pipe Inspection	$45,092.25
31130118	Purch Laptop for Eric Supplies	$3,709.65
31130119	Purch Laptops for On-Call and Contractor check-out Supplies	$4,711.35
31130120	Taps - South Crossing - Cabela's	$5,856.90
31130121	Taps - Hoyt/Mostad 3rd/Augusta	$3,213.00
31130122	Purch Backup Tape Drive Supplies	$2,930.57
31130123	Inst 6" valve on H550 - Greenough/Whitney	$9,382.54
31130124	Install 6" valve in Ft Missoula	$4,719.89
31130125	Repl BO 3 - 4916 Rattlesnake	$5,859.42
31130126	Purch 3 iWater licenses	$11,800.37
31130127	Purch Meters - 3/4, 1, 2, 3" Master	$38,939.70
31130128	Inst BO - Alliance & Foss	$5,724.13
31130129	Purch Printer & Scanners Supplies	$1,616.92
31130130	Purch Computers - Cust Serv, Michelle, Heather, Doug Supplies	$8,995.14
31130131	Purch Microsoft Surface Pro for Logan Supplies	$1,244.22
31130132	Purch Adobe Acrobat 11	$6,850.21
31130133	Purch Transducer for Canyon River Well #43	$3,565.10
31130134	Purch Tools - Drill & Grinder for Eric & Kevin Supplies	$262.48
31130135	Repl Motor at Mountainview Well #13	$23,810.98
31130136	Repl BO 49 - Elk Ridge Court	$5,372.70
31130137	Inst Hydrant & BO - Hilda/Hastings	$20,661.95
31130138	Inst Hydrant & BO - Schilling/Kensington	$18,330.47
31130139	Purch System Monitoring Equipment Supplies	$2,337.92
31130140	Inst 2 BO's on Garfield/3rd	$29,872.60
31130141	Upsize South Avenue Well #3b	$11,556.45
31130142	Purch Table for Entry Area Supplies	$283.50
31130143	Purch Meters - 1 1/2	$21,576.37
31130144	Purch 2013 GMC Truck	$20,624.14
31130145	Repl V1736 - Hilda/Hastings	$7,753.96
31130146	Purch 2 Locators	$6,090.00
31130147	Purch Barracuda Virus Firewall Supplies	$2,937.67
31130148	Purch Computer for Dennis Supplies	$1,657.46
31130149	Purch Meters - 3/4, 5/8	$58,192.76
31130150	Repl S 5th W main/Higgins-Orange	$11,992.12

Job #	Description	Dollars spent in 2013
31130151	Inst 20 & 6" Valves - Alliance & Foss	$7,879.40
31130152	Repl Grant St main/Burlington-Kensington	$4,232.76
31130153	Repl ARV4303 - Chadwick Lane	$3,457.99
31130154	Repl H261 - Park/Central	$7,362.96
31130155	Purch Printer for Engineering	$6,456.45
31130156	Repl Utility Box - Veh 595	$1,187.90
31130157	Repl Disconnect at N Russell Well - W19	$1,079.72
31130158	Purch Portable Generator	$2,047.50
31130159	Purch Ethernet Switch	$22,548.41
31130160	Purch GPS units	$14,616.00
31130161	Purch Meters - 3/4, 1 1/2, 2"	$40,110.61
31130162	Repl Eyewash at Sommers-W4 Supplies	$433.51
31130163	Purch VW pool vehicle	$30,065.62
31130164	Repl 1 1/2" PRV - Mark Ct #36	$412.05
31130165	Remove PRV 17 - Toole Park	$3,594.21
31130166	Purch Harness Supplies	$250.95
3105PS01	PS - Rattlesnake Treatment	
3109PS01	PS - Twite/Maloney Water Rights	
3109PS05	PS - CF Twite/Maloney Water Rights Mitigation	
3113PS01	PS - Identify, test, label cables	
3113PS02	Rattlesnake Dam Evaluation (?)	$10,636.49
	TOTAL 2013 CAPITAL EXPENDITURES:	$ 4,054,549.17
	2013 BUDGET:	$ 4,000,000.00
	(OVER)/UNDER BUDGET:	$ (54,549.17)

Job #	Description	Dollars spent in 2014
3105PS01	PS - Rattlesnake Treatment	
31090012	Bank St Well change application	$ 19,106.38
31090096	Palmer St Water Rights	
31090097	Rattlesnake Wells Water Rights	
31090098	Canyon River Water Rights Litigation	
3109PS01	PS - Twite/Maloney Water Rights	
31110063	Carter Lake Spillway	$ 727.32
31110122	Repl Valve @ McKinley Lake	
31110151	Palmer Well Upsize	
31120111	Repl Upper Lincoln Hills tank	
31120116	MT Power Water Rights Mitigation	
31120120	Repl W Spruce St main - May to Nora	$ 223.17
31130067	Energy Efficiency Study	
31130101	Repl 20" main on Hillview	$ 804,131.13
31130137	Inst Hydrant & BO - Hilda/Hastings - concrete in 2014 (?)	$ 866.25
31130138	Inst Hydrant & BO - Schilling/Kensington - concrete in 2014 (?)	$ 835.64
31130141	Upsize South Avenue Well #3b	$ 16,994.57
31130150	Repl S 5th W main/Higgins-Orange	$ 463,083.14
31130152	Repl Grant St main/Burlington-Kensington	$ 257,442.99
31130153	Repl ARV4303 - Chadwick Lane - asphalt in 2014	$ 1,299.38
31130154	Repl H261 - Park/Central - concrete & asphalt in 2014	$ 1,697.38
31130164	Repl 1 1/2" PRV - Mark Ct #36 (R)	$ 624.32
3113PS02	Rattlesnake Dam Evaluation	$ 6,937.95 (A)
31140001	Taps on existing mains	$ 53,412.86
31140002	Meter Installs-2014	$ 65,434.46
31140003	Purch Harness supplies	$ 501.90
31140004	Purch Potable Water Trailer	$ 26,171.10
31140005	Purch 1st Year Registration - Veh 54 & 55	$ 845.43
31140006	Purch Meters - 8 & 10"	$ 45,815.85
31140007	Purch Printer for Michelle supplies	$ 434.05
31140008	Repl Transducers	$ 1,462.38
31140009	Purch Vehicle Tracking system - 20 units	$ 6,784.05
31140010	Purch Chair for Brenda supplies	$ 418.95
31140011	Purch Chlorine Analyzer Probe - B17 Skyview supplies	$ 1,109.31
31140012	Repl Vats at Dixon Well #9 (?) R / supplies	$ 474.83
31140013	Purch Meters - 1"	$ 1,970.98
31140014	Inst 2 Chlorine Analyzers - B5 & B6	$ 6,970.25
31140015	Inst SCADA Pressure Monitoring Enhancements	$ 29,482.62
31140016	Dore Ln-Valves & SL reloc	$ 40,139.90
31140017	Purch Generator at W8 - Schilling	$ 100,572.81
31140018	Inst Front Entry motion and glass breaking sensors supplies	$ 391.03
31140019	Repl H317 - Whitaker/High Park	$ 16,664.69
31140020	Inst Solenoids on CL2 line-W9 Dixon & spare	$ 1,097.71
31140021	Repl Transducer at W13 (R)	$ 1,102.98
31140022	CF portion - Magenta Meadows/The Terraces ? small-H	$ 927.56
31140023	Repl Tap - 907 Patty Ann Dr	$ 5,100.12
31140024	Repl Elect Panel Transformer (R)	$ 1,369.34
31140025	Repl 1 1/4" PRV - Linc Hills #24 (R)	$ 972.90
31140026	Purch Laptop for SCADA	$ 5,001.94
31140027	Repl Tap - 14 Columbine	$ 5,731.31
31140028	Repl Tap - Holly/Harrison 2" main	$ 6,238.10
31140029	Taps - Stonybrook (?) supplies	$ 2,892.75
31140030	Purch Laptop for Josiah supplies	$ 1,591.49
31140031	Repl V2917 - HighPark behind 629 Whitaker	$ 2,901.15
31140032	Repl V2809 - Crestline/Pineridge	$ 5,557.73
31140033	Repl V2190 - Kensington/Kemp	$ 6,444.89

Job #	Description	Dollars spent in 2014
31140034	Purch Dechlorinating Equipment	$ 8,454.60
31140035	Improve Road to T20 - Mansion Heights	$ 3,648.75
31140036	Security at W33 - Gerald Ave (?)	$ 15,279.25
31140037	Purch Ethernet for W33 - Gerald Ave	$ 6,728.93
31140038	Inst Valves at W32 - Arthur well	$ 77,385.72
31140039	Purch UPS for Wiring Closet Supplies	$ 505.44
31140040	Purch Meters - 1"	$ 3,941.95
31140041	Inst Primer Line Solenoids @ W13 & spare	$ 568.27
31140042	Purch 3 Hydrants & Valves for 3rd St reconstruction	$ 16,212.94
31140043	Taps - The Cottages Ph 2-3	$ 1,018.50
31140044	Taps - 44 Ranch Ph 7	$ 6,835.50
31140045	Taps - The Terraces	$ 5,275.20
31140046	Repl Pump/Motor at Momont W17	$ 68,319.43
31140047	Purch Backup Camera for Water Wagon Supplies	$ 539.47
31140048	Purch Meters - 1, 2, 3, 4"	$ 12,594.18
31140049	Repl Irrigation at R3 - South Res	$ 21,194.77
31140050	Abandon 12KAL on Helen/Beckwith-Keith (move 1 service)	$ 18,860.68
31140051	Purch Coffee Maker Supplies	$ 945.65
31140052	Repl Air Conditioning in Server Room	$ 40,784.63
31140053	Purch Chlorine Tester for Joe Supplies	$ 901.89
31140054	Telemetry Expansion	$ 169,957.46
31140055	Lights, Road, Fence at Hillview Res #14	$ 15,547.35
31140056	Purch Locator for	$ 3,045.00
31140057	Purch Meters - 6"	$ 3,819.90
31140058	Repl Pump/Motor - Bank St Well #30	$ 57,197.05
31140059	Repl Pump - Lincoln Hills Booster #7c	$ 13,065.18
31140060	Purch Measuring Wheel Supplies	$ 168.00
31140061	Repl Solenoid at SOV 3 - Old Quarry Supplies	$ 969.52
31140062	Inst Fencing at various sites-including Schilling & 6th wells	$ 40,714.94
31140063	Pipe Insulation at W33 - Gerald	$ 5,539.14
31140064	Purch 2 Computers	$ 3,035.73
31140065	Repl Pump - Grant Creek Booster #24a	$ 13,780.48
31140066	Repl Pump - Gharrett Booster #9a	$ 1,673.78
31140067	Pipe Insulation - various sites	$ 54,750.98
31140068	Repl Check Valves - Mark Ct Booster #21	$ 1,359.02
31140069	Repl BO93 - Kennett/N 6th - CANCELLED	$ -
31140070	Purch Historian software for SCADA	$ 87,224.99
31140071	Purch Cable for Under Water Camera Supplies	$ 1,509.70
31140072	Inst Coating on inside of Maurice W34	$ 6,722.65
31140073	Purch Chlorimeters Supplies	$ 892.78
31140074	Purch Meters - 1 1/2 & 2"	$ 24,408.56
31140075	Upg Network-See 31140113	$ -
31140076	Repl Inverter @ SOV5 - Rattlesnake Dr (R)	$ 392.57
31140077	Intermountain Wellhouse	$ 79,744.96
31140078	Purch Meters - 3/4"	$ 74,463.59
31140079	Repl Flow Meter Converter @ South Ave well #3b (R)	$ 1,526.15
31140080	Well Shaft Guarding	$ 9,516.88
31140081	Inst Eyewash & CL2 Injector at W8 - Schilling	$ 8,295.84
31140082	Repl Tap - 1229 Ronald	$ 4,370.23
31140083	Repl H948 - Crescent/23rd	$ 11,548.43
31140084	Repl H955 - W Crescent Dr	$ 9,083.41
31140085	Repl H946 - W Vista Dr	$ 5,576.83
31140086	Repl H945 - Vista/23rd	$ 10,573.66
31140087	Repl H943 - W Summit Dr	$ 11,636.68
31140088	Repl Hilda/Evans-Beckwith main	$ 149,132.99
31140089	Inst Air Release Valves - various locations	$ 16,006.04

Job #	Description	Dollars spent in 2014
31140090	Repl V1693 - Keith/Ronald	$ 5,511.99
31140091	Tie Main - Jeff Drive-Linda Vista on Miller Creek Road	$ 105,101.01
31140092	Purch backup tape drive Supplies	$ 3,231.52
31140093	Purch Meters - 1"	$ 2,956.46
31140094	Repl Disconnect - W40c - Linda Vista (R)	$ 446.25
31140095	Taps - Linda Vista 14th - Twite/Maloney Ph 2	$ 12,096.00
31140096	Inst Repeater - T16 - Upper Lincoln Hills	$ 4,864.46
31140097	Inst Enclosure - R1 - WWH North Res	$ 2,617.56
31140098	Inst Automatic Door Close - Engineering Vault	$ 1,209.02
31140099	Purch 7 Laptops	$ 25,277.66
31140100	Repl Hilda Well Starter - W10	$ 9,422.93
31140101	Repl Lab Windows with tempered glass (R)	$ 633.94
31140102	Purch Computer for Small Conf Room Supplies	$ 991.64
31140103	Purch Meter Reading Equip Supplies	$ 4,022.42
31140104	Repl H947 - 2219 E Crescent Dr-CANCELLED	
31140105	Repl H942 - E Summit Dr-CANCELLED	
31140106	Purch Meters - 3/4, 1, 1 1/2, 2, 4"	$ 52,884.74
31140107	Inst Arc-Flash Protection - W8 & 43 (R)/Supplies	$ 1,396.97
31140108	Repl BO 618 - Adalaide Alley (R)	$ 3,568.37
31140109	Repl Disconnect - B2b - Lower Elk Ridge booster (R)	$ 810.76
31140110	Abandon 6K - Spruce CANCELLED	
31140111	Inst Fuel Containment - B2	$ 5,375.97
31140112	Telemetry Expansion Phase 2	$ 34,767.57
31140113	Upgrade Network & Servers	$ 8,947.19
31140114	Upgrade to Exchange Server 2010	$ 9,354.14
31140115	Taps - Jenco/Johnson St Supplies	$ 1,176.00
31140116	Upgrade Email Redundancy Supplies	$ 1,166.84
31140117	Purch Ethernet for R1 & R3 + spare	$ 12,381.18
31140118	Purch Honda Generator for Kevin Supplies	$ 955.50
31140119	Purch Backup Camera for Water Wagon Supplies	$ 539.43
31140120	Purch Meters - 5/8, 3/4, 1, 1 1/2, 2, 4"	$ 121,239.00
31140121	Abandon 6K - Cooper/Hawthorne-Dickens	$ 2,722.28
31140122	Purch Power Inverters	$ 4,204.04
31140123	Purch Power Unit for Eric Veh 43	$ 7,085.40
31140124	Purch Meters - 5/8, 3/4, 1, 1 1/2, 2, 4"	$ 162,243.48
31140125	Purch Honda Generator for Travis Supplies	$ 979.64
31140126	Repl S 5th W main/Orange-Russell	$ 24,395.27
31140127	Purch Locator for Clay	$ 3,108.00
31140128	Purch Meter Reading Equip Supplies	$ 3,126.84
31140129	Repl S 3rd W main/Darlene-Davis	$ 3,981.48
31140130	Add Metal Roof to Maurice Well #34	$ 5,197.78
31140131	Purch 2 Computers & 2 Surface Pros	$ 9,808.16
31140132	Purch Additional Hard Drives for Server	$ 8,827.35
31140133	Purch CAT Skid Steer	$ 58,339.54
31140134	Sheridan Lake Spillway	$ 3,927.82
31140135	Purch Chlorine Pumps	$ 3,362.63
31140136	Upgrade Network Cables - paging & server room Supplies	$ 2,625.00
31140137	Purch TV - videoconferencing Supplies	$ 3,346.17
31140138	Purch Locator for	$ 3,045.00
31140139	Purch Chair for Kisha Supplies	$ 324.45
31140140	Purch WaterLevel,WellPoints, etc for MT Groundwater Acad	$ 1,351.56
31140141	Purch Compactor & Demo Saw Supplies	$ 3,307.45
31140142	Purch TV - projector Supplies	$ 3,198.76
31140143	Purch Meters - 1 1/2 & 2"	$ 21,596.78
3114PS01	PS-WildernessLakesStudy (?) - see (A)	$ 13,059.59

Job #	Description	Dollars spent in 2014
	TOTAL 2014 CAPITAL EXPENDITURES:	$ 4,013,314.25
	2014 BUDGET:	$ 4,000,000.00
	(OVER)/UNDER BUDGET:	$ (13,314.25)

(A) Would not capitalize sandy unless actually used to extend life or increase value of asset.

(O) supplies = looks like routine supplies

(R) = looks like "replacements" - looks like routine repair & maintenance due to the dollar values & descr. of "Repl".

PSC-055

Regarding: Capital expenditures
Witness: Close

Referencing your testimony on page 4, lines 4 through 7, please provide a list of repairs, replacements, removals, supplies, and office items that were capitalized that, in your opinion, should not have been.

RESPONSE TO PSC-055:

Please see my answer provided in response to PSC-054(a) for a specific list of the questionable capitalized items and the documents produced in support of that list.

PSC-056

Regarding: Leakage Rate
Witness: Close

a. On page 5 of your testimony you state that Mountain Water is experiencing a leakage rate likely in excess of 50%. On pages 5-13, you detail the problems with Mountain Water's system. If the system were to be upgraded in a way that would alleviate your concerns, how much would such upgrades cost, and who should bear those costs?

b. While it is disputed how much of the leakage rate is from customer owned lines, it is clear that those lines are experiencing leakage. How would you suggest that the Commission require Mountain Water to address leakage on lines that are owned by customers? For example, should Mountain Water put additional incentives in place to encourage customers to upgrade and replace their lines?

RESPONSE TO PSC-056:

a. HDR recommends between $60 and $95 million over the next ten years to address the system condition. Of which about $40 to $55 million in improvements, or the majority of the improvements recommended are for piping and service line replacements to address the leakage problem. For the full analysis of this figure, see our response to MW/WWH-013. Whether the utility is publicly or privately owned, those costs are usually borne by ratepayers.

b. HDR recommends that MWC be responsible for the replacement of service lines from the main to the customer's property line and then provide incentives and a financing plan be made available to replace the private side of the service line. Additionally for old leaking services (a policy can be created to identify them) service lines should be replaced as part of the sale of the property.

PSC-057

Regarding: Developer Assets
Witness: Close

Please clarify what constitutes "developer contributed assets" as referenced in your direct testimony on page 6, line 17

RESPONSE TO PSC-057:

"Developer contributed assets" are assets paid for by developers which Mountain Water pays back over a period of time.

PSC-058

Regarding: HDR Financial Models
Witness: Close

Please list other rate cases or sale of stock dockets in which the financial models developed by HDR have been relied upon in expert testimony.

RESPONSE TO PSC-058:

HDR provides utility rate studies for hundreds of clients, and although they are typically not part of a sale or acquisition, HDR does "testify" or present the findings and recommendations to the utility board or city councils. If they are specifically for a sale, merger, annexation, or regionalization these are performed under an attorney client privilege and cannot be disclosed.

PSC-059

Regarding: Affiliate Transaction Ring-Fencing
Witness: Hayward

a. On page 22 of your testimony, you state that in the case of Carlyle's ownership of Mountain Water, ring-fencing "has not been effective." You specifically state that ring-fencing measures "such as affiliate transactions… have not been effective." Please provide a specific example in which ring-fencing regarding affiliate transactions has been ineffective and what if any additional costs have been borne by ratepayers.

b. Would the PSC prohibiting the use of all affiliate transactions, as you recommend on page 31 of your testimony, alleviate your concerns regarding ring-fencing being, in your opinion, ineffective? Why or why not?

c. Could elimination of any alleged affiliate transactions actually increase the costs to ratepayers, if for example the bid for a project is cheaper when it is completed using affiliate resources instead of hiring a secondary party to complete a project?

RESPONSE TO PSC-059:

a. One specific example is Park Water Company's Operating Agreement with Mountain Water Company. Mr. Dove testified during the valuation trial:

> In this dialogue we were having with the Mayor when we were looking at the offers that he made, one of the aspects which came across was the fact that Mountain Water was contributing $2 million a year to Park Water for Central Services, **which could be perhaps performed for less cost or even for no cost in the City of Missoula**.
>
> Test. of Robert Dove, City of Missoula v. Mountain Water Co., 1100:19–1101:1 (Nov. 5, 2015) (emphasis added)
>
> (See CITY-PSC 00000516-00000517 provided in response to MW/WWH055).

Another example is the Park Water/Mountain Water intercompany receivable—not reported on the annual report—of over $17.5 million at the end of 2013.

However, insufficient information exists to determine the amount of additional

costs borne by ratepayers.

b. No. Ring-fencing is just one of several mechanisms utility regulators could use. Other measures include, but are not limited to, (a) having audited financial statements by an independent certified public accounting firm, and (b) accounting audit results published by the Commission Staff.

c. Yes.

PSC-060

Regarding: Inter-Company Loan Ring-Fencing
Witness: Hayward

a. On page 22 of your testimony you state that ring-fencing measures regarding inter-company loans have not been effective. You provide an example on page 27, lines 7 through 13 of a situation that you allege demonstrates ineffective ring-fencing regarding inter-company loans. How exactly does your example show that ring-fencing is ineffective?

b. Was the equity interest in WWH that was granted to various Park employees, referenced on page 22, line 7 of your testimony, harmful to rate payers? Please explain.

RESPONSE TO PSC-060:

a. It has been well documented that Mountain Water requires a significant amount of investment to bring its infrastructure up to industry standards. Using internally generated funds for loans related to affiliates could restrict the Company's investment in infrastructure which could result in increased costs to ratepayers or a lower level of service.

b. My concern is not with the equity interest in WWH per se; however, I believe that the individual tax consequences of that equity interest should remain with the employee and not involve the Company and/or its ratepayers

PSC-061

Regarding: Financial Reporting
Witness: Hayward

a. On page 31 of your testimony, you state that the PSC should implement similar financial reporting requirements as the Securities Exchange Commission. If the PSC did so, would it alleviate the concerns regarding financial reporting that you discuss on pages 23 through 31 of your testimony?

b. If the PSC implemented similar financial reporting requirements as the SEC, would that result in ring-fencing measures being more effective?

RESPONSE TO PSC-061:

a. No. The reporting requirements that I suggest are only one of several possible tools utility regulators could use in effectively monitoring Mountain Water.

b. Not necessarily. Ring fencing can only be helpful if it is effectively enforced.

PSC-062

Regarding: Additional Ring-Fencing Measures
Witness: Hayward

If the PSC ultimately approves the transaction, what, if any, additional ring-fencing measures or changes to existing ring-fencing requirements would you recommend the Commission consider?

RESPONSE TO PSC-062:

Ring fencing can only be helpful "if enforcement is effective." The predicate of the question does not address any changes in the operation and enforcement of the PSC. Therefore, I recommend that all affiliated transactions be prohibited. The organizational structure that I have proposed does not have any non-utility activities; thus, ring fencing is unnecessary.

PSC-063

Regarding: Unique Characteristics of Water
Witness: Hayward

a. You make a point in your testimony, beginning on page 31, that water is a unique resource and is different from natural gas and electric utility service. Is it your contention that because water is different from natural gas and electricity that the PSC is unable to effectively regulate water utilities?

b. If yes, are you aware that on page 17 of the Direct Testimony of John W. Wilson, he states that Mountain Water's current rates have been found to be just and reasonable?

c. Are you also aware that a Missoula District Judge recently determined that Mountain Water's current rates are just and reasonable and that the Commission appropriately established the rates?

RESPONSE TO PSC-063:

a. From the public's perspective, utility economic regulation of water utilities may or may not be in the public's interest. As I have stated in my testimony, several states do not have rate regulated water utilities. Some of the variables may include the number of water utilities, the size of the companies, and the resources necessary for adequate regulation. The opposite extreme of market failure (the basis for regulation in the first place) could be government failure—situations where the government intervenes and makes things worse.

b. No, I am not aware of Mr. Wilson's statement.

c. Yes, I am aware of the order affirming the PSC's rate decision in D2012.7.81.

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 2ND day of December 2015:

Thorvald A. Nelson Nikolas S. Stoffel Holland & Hart LLP 6380 South Fiddlers Green Circle, Suite 500 Greenwood Village, CO 80111 tnelson@hollandhart.com nsstoffel@hollandhart.com cakennedy@hollandhart.com aclee@hollandhart.com	Michael Green Gregory F. Dorrington CROWLEY FLECK PLLP P.O. Box 797 Helena, MT 59624-0797 mgreen@crowleyfleck.com gdorrington@crowleyfleck.com cuda@crowleyfleck.com cgomez@crowleyfleck.com
Robert Nelson Monica Tranel Montana Consumer Counsel 111 North Last Chance Gulch, Suite 1B P.O. Box. 201703 Helena, MT 59620-1703 robnelson@mt.gov mtranel@mt.gov ssnow@mt.gov	Christopher Schilling Chief Executive Officer Leigh Jordan Executive Vice President Park Water Company 9750 Washburn Road Downey, CA 90241 cschilling@parkwater.com leighj@parkwater.com
John Kappes President & General Manager Mountain Water Company 1345 West Broadway Missoula, MT 59802-2239 johnk@mtnwater.com	Barbara Hall Legal Director The Clark Fork Coalition P.O. Box 7593 Missoula, MT 59801 Barbara@clarkfork.org
Todd Wiley Assistant General Counsel Liberty Utilities 12725 West Indian School Road, Suite D-101 Avondale, Arizona 85392 todd.wiley@libertyutilities.com	Gary Zadick #2 Railroad Square, Suite B P. O. Box 1746 Great Falls, MT 59403 gmz@uazh.com
Public Service Commission 1701 Prospect Avenue Helena, MT 59620-2601 lfarkas@mt.gov jkraske@mt.gov jlangston@mt.gov **ORIGINAL SENT VIA OVERNIGHT DELIVERY**	Tina Sunderland