

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

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

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**JOINT STIPULATION AND SETTLEMENT AGREEMENT**

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This Joint Stipulation and Settlement Agreement (“Joint Stipulation”) is entered into among Mountain Water Company (“Mountain Water”) and the Montana Public Service Commission’s Advocacy Staff (“Advocacy Staff”) (collectively, “Signatories”).

**RECITALS**

1. On January 11, 2016, Liberty Utilities Co. (“Liberty Utilities”), Liberty WWH, Inc., (“Liberty WWH”), Western Water Holdings, LLC (“Western Water”), and Mountain Water Company (“Mountain Water”), (collectively, the “Joint Applicants”), submitted a Notice of Closing and Withdrawal of the Joint Application filed in Docket No. D2014.12.99 (“Notice of Closing”). The Notice of Closing stated that on January 8, 2016, the sale and transfer of Western Water stock to Liberty WWH closed, with Liberty WWH merging into Western Water and Western Water continuing as the wholly-owned subsidiary of Liberty Utilities.

2. The Montana Public Service Commission (“Commission”) held a work session on January 29, 2016 to discuss and act upon the Joint Applicants’ Notice of Closing. At that work session, the Commission directed legal staff to pursue fines against Mountain Water under Mont.

Code Ann. §§ 69-3-209 and 69-3-206 and cooperate with the Montana Attorney General's office to consider other remedies pursuant to Mont. Code Ann. § 69-3-110. *See* Docket No. D2014.12.99, Order No. 7392q, ¶¶ 19, 22 (Feb. 5, 2016). In order to effectuate those requests, the Commission designated advocacy staff to pursue a settlement agreement or other litigation objectives with the relevant parties. *See* Docket No. D2014.12.99, Notice of Commission Action (Mar. 30, 2016).

3. On January 29, 2016, the Commission voted to initiate proceedings to review Mountain Water's rates in Docket No. D2016.2.15.

4. The stated goal of Docket No. D2016.2.15 was to inquire into whether Mountain Water's water rates were just and reasonable after the Joint Applicants filed their Notice of Closing in Docket No. D.2014.12.99.

5. On February 3, 2016, the Commission issued a Notice of Investigation and Intervention Deadline in Docket No. D2016.2.15. On March 1, 2016, the City of Missoula and Clark Fork Coalition were granted limited intervention. On March 2, 2016, the Montana Consumer Counsel was granted intervention.

6. On May 3 and 4, 2016, the Commission held a public hearing as part of its investigation into whether Mountain Water's rates were just and reasonable.

7. During a public work session held after the public hearing, the Commission voted to reduce Mountain Water's rates by \$1.1148 million on an annual basis.

8. The Signatories wish to resolve the issues outstanding in Docket Nos. D2014.12.99 and D2016.2.15 through this Joint Stipulation.

## TERMS AND CONDITIONS

Mountain Water and Advocacy Staff hereby agree as follows:

- (1) **Settlement of Potential Fines:** Without admitting liability for any fine amount, Mountain Water will pay \$150,000 to the Human Resources Council designated for use in its low income and renters repair and replacement program, which assists qualifying individuals with the cost of replacing service lines or meter installation costs normally borne by customers.
- (2) **Rate Adjustment:** Mountain Water will not seek judicial review of the Commission's revenue reduction in D2016.2.15, assuming the decision does not lower the previously authorized return on equity ("ROE") and is not challenged by an intervenor. If the decision is challenged by an intervenor or if the decision lowers the previously authorized ROE, Mountain Water will have the right to challenge the adjustment in its entirety.
- (3) **Future Sale:** Mountain Water, Liberty Utilities, and its corporate affiliates will not challenge the Commission's jurisdiction to review any future direct or up-stream (up to and including the Western Water Holdings level) sale or transfer of assets or stock, including transfer or effective control of stock of Mountain Water, provided, however, the Commission will not be required to review affiliate restructuring within the Liberty Utilities' corporate group so long as Mountain Water remains part of a subsidiary group consisting predominantly of regulated utilities. The Commission retains the right to investigate whether it has authority to review any sale or transfer that may occur at a higher corporate holding level. Nothing in this section limits the Commission's authority under Title 69 to exercise the full power of supervision, regulation, and control of such public utilities.
- (4) **Acquisition/Transaction Costs:** Mountain Water will not attempt to seek recovery of any costs related to the Liberty Utility acquisition, including acquisition premium and transition costs.
- (5) **Ring-Fencing:** The ring-fencing provisions enumerated in Docket D2011.1.18 will remain in effect unless altered by the Commission.
- (6) **Rate Case Requirement:** In addition to the minimum rate case filing requirements, in its next general rate case, Mountain Water will provide the Commission information about Liberty Utilities' capital structure and corporate allocation methodologies, and will consent to the Commission including a review of ring-fencing provisions within the rate docket.

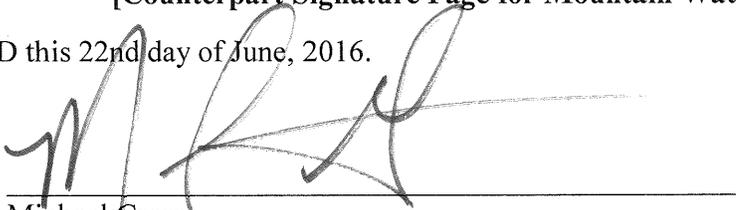
- (7) **Acquisition Case:** If the City of Missoula (“City”) does not join the settlement agreement, Mountain Water and the Commission will seek dismissal of the City’s petition for judicial review pending with the Montana Fourth Judicial District Court in Cause No. DV-15-918 as moot. Upon dismissal of the district court action, the Commission will close docket D2014.12.99.
- (8) **Order Approving Joint Stipulation:** This Joint Stipulation shall be deemed final and binding on the Signatories when the Commission has approved it by Order without modification and such approval is no longer subject to administrative or judicial review.
- (9) **Hearing Participation:** The Signatories agree to support this Joint Stipulation and Settlement Agreement in any future proceedings.
- (10) **Withdrawal:** In the event the Commission enters an order that does not satisfy the requirements of Condition No. 8 above, the Signatories reserve the right to pursue all appropriate avenues of administrative review and appeal, including but not limited to seeking rehearing of this proceeding in front of the Commission, and no party shall be bound or prejudiced by the terms of the Joint Stipulation.
- (11) **Entire Agreement:** The Signatories acknowledge that this Joint Stipulation is the product of negotiations and compromise and shall not be construed against any Party on the basis that it was the drafter or any or all portions of this Joint Stipulation. This Joint Stipulation constitutes the Signatories’ entire agreement on all matters set forth herein and it supersedes any and all prior oral and written understandings or agreements, on such matters that previously existed or occurred in this proceeding, and no such prior understanding or agreement or related representations shall be relied upon by the Signatories.
- (12) **Counterparts:** This Joint Stipulation may be executed in counterparts and each signed counterpart will constitute an original document.

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**[Counterpart Signature Page for Mountain Water Company]**

DATED this 22nd day of June, 2016.

By:



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Michael Green  
Attorney for Mountain Water Company

[Counterpart Signature Page for Commission Advocacy Staff]

DATED this 22nd day of June, 2016.

By:   
Jeremiah Langston  
Attorney for Advocacy Staff

**CERTIFICATE OF SERVICE BY MAIL**

I hereby certify that on June 22, 2016, the foregoing was served via electronic and U.S. mail on:

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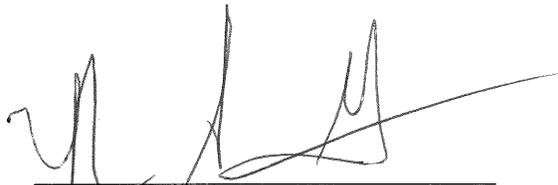
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