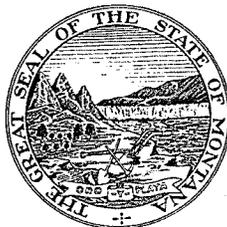


**PUBLIC SERVICE COMMISSION
STATE OF MONTANA**

Brad Johnson, Chairman
Travis Kavulla, Vice Chairman
Kirk Bushman, Commissioner
Roger Koopman, Commissioner
Bob Lake, Commissioner



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Helena, MT 59620-2601
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<http://psc.mt.gov>
E-Mail: psc_webmaster@mt.gov

February 2, 2015

Thorvald A. Nelson
Nikolas S. Stoffel
Holland & Hart LLP
6380 South Fiddlers Green Circle
Suite 500
Greenwood Village, CO 80111

RE: PSC data requests in Docket D2014.12.99

Dear Messrs. Nelson and Stoffel:

Enclosed please find data requests of the Montana Public Service Commission to Liberty Utilities Co., Liberty WWH, Inc., Western Water Holdings, LLC and Mountain Water Company (numbered PSC-001 through PSC-027) in the above-referenced docket. Please begin the response to each new numbered data request on a new page. If you have any questions, please contact me at (406) 444-6188.

Sincerely,

Leroy Beeby
Rate Analyst
Montana Public Service Commission

Enclosure

cc: Service list

Service Date: February 2, 2015

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) DOCKET NO. D2014.12.99
Mountain Water Company for Approval of a)
Sale and Transfer of Stock)

DATA REQUESTS PSC-001 THROUGH PSC-027 OF THE
MONTANA PUBLIC SERVICE COMMISSION
TO
LIBERTY UTILITIES CO., LIBERTY WWH, INC.,
WESTERN WATER HOLDINGS, LLC AND MOUNTAIN WATER COMPANY

PSC-001

Re: Organizational Chart
Witness: Unknown

- a. Please explain the indirect wholly-owned subsidiary relationship between Liberty Utilities and Algonquin including all companies.
- b. Please provide the organizational chart for Algonquin through Liberty Utilities.

PSC-002

Regarding: Due Diligence
Witness: Unknown

- a. Please provide copies of all due diligence work papers, including but not limited to the offering valuation of Western Water Holdings in both paper and electronic formats with all formulas intact.
- b. Please provide copies of all correspondence including electronic and phone logs between Liberty Utilities and Western Water regarding the sale and purchase of Western Water.
- c. Please provide copies of all presentations given to the directors of Western Water and to Liberty Utilities regarding the sale and purchase of Western Water.

- d. Please provide copies of all board minutes and notes where there was discussion of the sale and purchase of Western Water. If there were audio or video recordings, please provide those as well.
- e. Please provide all work papers that support the valuation of the offer presented to Western Water, including spreadsheets with formulas intact.

PSC-003

Regarding: Organizational Chart

Witness: Unknown

- a. Please provide the complete organizational chart for Liberty Utilities both prior to and after the proposed purchase and sale of Western Water showing all Liberty Utility subsidiaries.
- b. Please provide names and addresses of all subsidiaries of Liberty Utilities and the specific utility that each subsidiary provides.
- c. Please provide the number of customers served by each utility.
- d. Please provide name and addresses of the regulatory oversight body for each of the above utilities.

PSC-004

Regarding: Ring Fencing

Witness: Unknown

- a. Please provide copies of ring fencing provisions for each of the regulated subsidiaries of Liberty Utilities.
- b. If there are no ring fencing provisions in place for the regulated subsidiaries of Liberty Utilities, what safeguards are in place to prevent cross-subsidization from the regulated utilities to the non-regulated utilities? Please explain.

PSC-005

Regarding: Liberty Board of Directors

Witness: Unknown

- a. Was the decision to purchase Western Water made solely by Liberty Utilities without consultation of any representatives of any parent (indirect or direct) company? Please explain.
- b. Are there common members of the board of directors of Liberty Utilities and any parent (indirect or direct) of Liberty Utilities? If so, please specify and provide which other boards those members serve on.

- c. Please provide the names and biographies of each of the board members of Liberty Utilities.

PSC-006

Regarding: Algonquin not a formal applicant
Witness: Unknown

Please explain why Algonquin has chosen not to be a formal applicant in this docket, given that Liberty Utilities is a wholly-owned subsidiary of that company.

PSC-007

Regarding: Allocated Value of Mountain Water
Witness: Unknown

The purchase price of Western Water is stated to be \$327MM with \$250MM cash and assumption of \$77MM of debt obligations.

- a. What is the separate value of Mountain Water in the proposed sale and merger?
- b. Please provide all work papers supporting the valuation both in hard copy and electronic format.
- c. What was the percentage of debt allocation, and separately, the equity allocation for Mountain Water? Please provide supporting work papers.

PSC-008

Regarding: Acquisition adjustment
Witness: Unknown

The application states in paragraph 16 page 5 that “The merger of Western Water Holdings and Liberty WWH also does not impact the operations of Mountain Water in the State of Montana, or the rates that Mountain Water has been authorized by the Commission to charge for water service.”

Does this mean that Liberty Utilities will not be seeking an acquisition adjustment for the purchase of Western Water above the regulated rate base of the company? Please explain.

PSC-009

Regarding: “No harm to consumer”
Witness: Unknown

The application is proposing the Commission adopt the “No-harm to consumers’ standard” for the determination of approval of the application. Specifically to Montana, the last authorized regulated rate base for Montana was approximately \$35,651,607 with

an additional \$534,224 from the main office allocated to Montana for a total rate base of \$36,185,831.

- a. Is Liberty Utilities taking the position that it will not seek a return on or return of any investment above the regulated rate base? Please explain.
- b. Is Liberty Utilities aware that Montana characteristically does not allow acquisition adjustments in the determination of rate base or return on equity?
- c. Is Liberty Utilities aware that Montana uses an historical test year as the basis for establishing rates?
- d. Given a hypothetical \$40MM rate base for MWC, a 50/50 capital structure, and a 10% ROE, the approximate equity return would be \$2MM. What would be the yield on the investment in MWC based on the allocated value provided in a previous data request (PSC-007)?
- e. What is the current 30-year treasury rate?

PSC-010

Regarding: Allocation of expenses

Witness: Unknown

Presently there is no overhead (Main Office Expense) that is being charged by Western Water to Park Water or Mountain Water.

- a. Will there be an allocation of Western Water or other entity expenses to the overhead of Park Water? Please explain.
- b. If Liberty Utilities integrates its cash management system, will there be an overhead cost associated with the use of the cash management system?

PSC-011

Regarding: Cash Management

Witness: Unknown

- a. Order No. 7149d stated that Mountain must file for Commission approval of a cash management plan incorporating best practices protecting Mountain's and its parent's credit from risks associated with participating in a shared money pool with such affiliates. Will that be the case with Liberty Utilities? Please explain.
- b. Please provide a copy of Liberty's cash management plan.

PSC-012

Regarding: Carlyle/City/Clark Fork Coalition Letter Agreement
Witness: Unknown

Please address each of the issues in Paragraph 47 of Final Order 7149d. Please explain and provide supporting documentation that each of the conditions has been met.

PSC-013

Regarding: Letter Agreement Order 7149d, paragraphs 79-80 – Rattlesnake Watershed
Witness: Unknown

If the sale and transfer is approved, will the successor company continue to honor the Letter Agreement that the Rattlesnake Watershed will only be used for emergency backup water supply and that Missoula water would be kept in the Missoula area watershed? Please explain.

PSC-014

Regarding: Western Water Schedule 4.21(a)
Witness: Unknown

Please provide a copy of the loans and guarantees indicated in Schedule 4.21(a).

PSC-015

Regarding: Schedule 4.18(b)
Witness: Unknown

Please provide copies of each of the agreements 1-14.

PSC-016

Regarding: Schedule 6.8(d)
Witness: Unknown

Please provide copy of agreement referred to in this Schedule.

PSC-017

Regarding: Liberty Utilities' water utilities
Witness: Unknown

List the water distribution utility systems owned by Liberty Utilities along with their locations, numbers of customers, and the dates when Liberty assumed operation of the systems.

PSC-018

Regarding: Ring fencing requirements, p. 10 of application

Witness: Unknown

- a. An existing Mountain Water ring-fencing provision requires Mountain to notify the Commission 30 days in advance of any dividend declarations, or other transfer that exceeds 5% of Mountain's shareholder equity. Please explain why your provision (F) does not include the 30-day advance notice requirement.
- b. Please explain why provision (J) of the existing Mountain ring fencing provisions is not included in Liberty's proposed ring-fencing requirements. The existing provision (J) requires Mountain, if it wants to change its current cash management agreement with Park, to incorporate best practices for protecting Mountain's credit from the risks of such an agreement and to provide the Commission with 30 days' advance notice of any changes.

PSC-019

Regarding: Merger Agreement

Witness: Unknown

- a. Does the acronym "CIP" in the Agreement refer to Carlyle Infrastructure Partners?
- b. Provide the "Class A Joinder Agreement, pursuant to which CIP has agreed ... to provide certain indemnification obligations ..."
- c. List all of the Transaction Documents referred to on p. 15 of the Agreement.

PSC-020

Regarding: Due Diligence

Witness: Unknown

- a. Please provide the names, contact information, qualifications of representative, dates and locations physically reviewed by representatives of Liberty Utilities that physically visited the facilities of Park, Apple Valley and Mountain Water.
- b. Please provide all documents, presentations, notes and reports, written and electronic that were generated as a result of those visits.

PSC-021

Regarding: Plan and Agreement Merger Pg. 22 4.17 Labor and Employment Matters

Witness: Unknown

- a. Please list all unfair labor practice complaints and a brief summary and disposition of those complaints for all regulated utilities of Liberty Utilities for the last 5 years. Identification of the affected employee(s) is not necessary and can be redacted.

- b. Please do the same for Western Water Works and its direct and indirect subsidiaries.

PSC-022

Regarding: Schedule 4.3(a)

Witness: Unknown

- a. Please provide copies of documentation referred to in 4.3(a) 4.
- b. Is the ownership interest in Park Water pledged to BNY Western Trust Company as well? Please explain.

PSC-023

Regarding: Schedule 4.7(a)

Witness: Unknown

Please provide a list of costs expended by MWC in this litigation.

PSC-024

Regarding: Schedule 4.11

Witness: Unknown

- a. Please provide copies of documents referred to in 4.11 (iii) 1, 2, 3, 4
- b. Please provide copies of documents referred to in 4.11 (iv) 1
- c. Please provide copies of documents referred to in 4.11 (iv) 3 with regard to Decision No. 11-12-007 of the PUC of California.
- d. Please provide copies of documents referred to in 4.11(x) 5 and 7.

PSC-025

Regarding: Schedule 4.11

Witness: Unknown

Please explain what is a provisional permit as referred to on page 48 of 64.

PSC-026

Regarding: Schedule 4.19

Witness: Unknown

- a. What is the status of the property tax situation as referred to in number 1?
- b. Have the tax returns referred to in number 2 been filed? Please supply copies of the Federal and Montana returns.

- c. Was there a gain or loss on the sale of Santa Paula Water Works, Ltd.? If so, what was that gain or loss?
- d. Are the assets and liabilities of Santa Paula allocated to any of the subsidiaries or operating divisions of Park Water? Please explain.

PSC-027

Regarding: Due Diligence

Witness: Unknown

- a. Please provide copies of all correspondence, presentations, minutes of meetings, and phone logs, electronic or paper, between Carlyle Infrastructure Partnership and Western Water discussing the sale of Western Water to Liberty Utilities. If there are video or audio recordings please provide those as well.
- b. Was Carlyle Infrastructure Partnership or Western Water approached first regarding the sale of Western Water? What company made the initial contact, Liberty Utilities or Algonquin?
- c. Please provide copies of correspondence, presentations, minutes of meetings and phone logs, electronic or paper, regarding the initial contact for the sale and purchase of Western Water. If there are video or audio recordings please provide those as well.
- d. If there was a solicitation of bids for the purchase of Western Water, please provide the solicitation letter and names of companies providing proposals.
- e. If there is an answer other than not applicable to (d) above, please provide the details of the other bids including worksheets supplied by the bidder, and supporting documentation as to why they were not chosen.