

**PUBLIC SERVICE COMMISSION  
STATE OF MONTANA**



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November 16, 2015

Mr. Scott M. Stearns  
BOONE KARLBERG P.C.  
P.O. Box 9199  
Missoula, MT 59807-9199

RE: PSC data requests in Docket D2014.12.99

Dear Mr. Stearns:

Enclosed please find data requests of the Montana Public Service Commission to the City of Missoula (numbered PSC-052 through PSC-063) 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) 444-6193.

Sincerely,

A handwritten signature in cursive script that reads "Scott Fabel".

Scott Fabel  
Regulatory Division  
Montana Public Service Commission

Enclosure

cc: Service list

Service Date: November 16, 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 )  
Mountain Water Company for Approval of a ) DOCKET NO. D2014.12.99  
Sale and Transfer of Stock )

**DATA REQUESTS PSC-052 THROUGH PSC-063 OF THE**  
**MONTANA PUBLIC SERVICE COMMISSION**  
**TO**  
**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?

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?

## 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.

## 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.

## 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?

## 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

## 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.

## 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?

## 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.

## 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?

## 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?

## 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?