

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

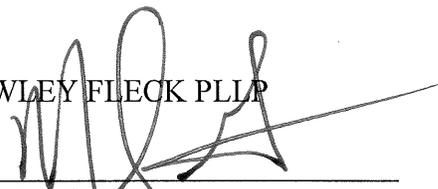
IN THE MATTER OF the Investigation of) REGULATORY DIVISION
the Montana Public Service Commission)
into whether Mountain Water Company's) DOCKET NO. D2016.2.15
rates are Just and Reasonable)

**MOUNTAIN WATER CO.'S RESPONSES TO
DATA REQUESTS PSC-009 AND PSC-010
OF THE MONTANA PUBLIC SERVICE COMMISSION**

Mountain Water Co., by and through its undersigned counsel, hereby submits to the Montana Public Service Commission these responses to data requests PSC-009 and PSC-010 from the Montana Public Service Commission.

Dated this 24th day of February, 2016.

CROWLEY FLECK PLLP

By: 

Michael Green

CROWLEY FLECK PLLP

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Helena, MT 59601

Attorneys for Mountain Water Co

PSC-009

Regarding: Response to PSC-001b

Witness: John Kappes

- a. Please specifically identify the total amount of debt, and the associated cost of debt, i.e. the interest rate, used to finance the acquisition.
- b. Please see the attached press release (Dkt. D2014.12.99, Exhibit JW-1). Please reconcile the inconsistencies between the April 30, 2015 press release and your response to PSC-001b. Please include in your response an explanation as to why the press release asserts that the acquisition was financed with a \$160 million private placement of senior unsecured 30 year notes bearing a coupon for 4.13% and why your response to PSC-001b asserts that the acquisition was financed with proceeds from a term credit facility for \$235 million with an expiration date of July 4, 2017.

Responses:

- a. As stated in response to PSC-001, Liberty Utilities paid \$250 million for the membership units of Western Water Holdings and assumed outstanding debt of Park Water (on a consolidated basis). The acquisition was financed with proceeds from a term credit facility issued on January 4, 2016 for \$235 million and cash on hand at Liberty of \$15 million. This term credit facility has an expiration date of July 4, 2017. Prior to the expiration of this term credit facility, Liberty intends to refinance that term credit facility with senior unsecured notes and proceeds received through an equity issuance in order to maintain a target capital structure for Liberty Utilities Co. of 55% equity and 45% debt. The amount of debt and the associated cost of debt (*i.e.*, the interest rate) will be determined in the debt market at that time. Liberty Utilities anticipates that the terms would be at a fixed rate per annum that is equal to the average of the 10-year U.S. Treasury rate as published on Bloomberg Financial Markets for the prior 30-60 days plus a percent spread equal to the indicative 10 year spread on Liberty Utilities Co.'s most recent private placement financing.
- b. The response to PSC-001b is not inconsistent with the April 30, 2015 press release issued by APUC and attached to PSC-009. As stated in that press release, APUC's Distribution Group (Liberty Utilities Co.) closed a "US \$160 million private placement of senior unsecured 30 year notes bearing a coupon of 4.13%. The proceeds will be used to partially fund the previously announced acquisition of the Park Water

System occurring late in 2015, and for general corporate purposes.” Unfortunately, the closing on the Western Water merger did not occur in 2015 and, as a result, Liberty Utilities used the \$160 million private placement of senior unsecured 30 years notes for general corporate purposes, including maintaining the target capital structure of Liberty Utilities at a 55/45 equity to debt level. When the Western Water merger ultimately closed on January 8, 2016, the acquisition was financed with proceeds from a term credit facility issued on January 4, 2016 for \$235 million and cash on hand at Liberty of \$15 million. As noted above, Liberty intends to refinance that term credit facility with senior unsecured notes and proceeds received through an equity issuance when that short term note expires in July 2017.

PSC-010

Regarding: Response to PSC-003a
Witness: John Kappes/Peter Eichler

Please clarify Mountain Water's response to PSC-003a. Is Liberty referring to itself as the parent company, or to APUC as the parent company?

Response:

The answer to PSC-003a refers to Liberty Utilities Co. as the parent company.

CERTIFICATE OF SERVICE

I hereby certify that on February 24, 2016, the foregoing Responses to Data Requests PSC 009 through PSC 010 were served via electronic and U.S. mail on:

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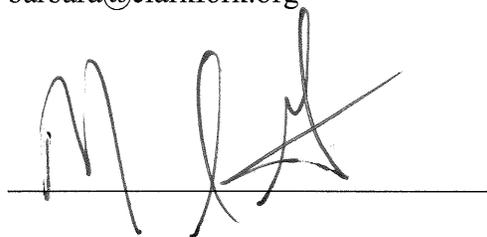
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A handwritten signature in black ink, appearing to read 'Barbara Chillcott', is written over a horizontal line.