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

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

MOUNTAIN WATER CO.'S RESPONSES TO MONTANA PUBLIC SERVICE COMMISSION'S DATA REQUESTS PSC-001 THROUGH PSC-008

Mountain Water Co., by and through its undersigned counsel, hereby submits to the Montana Public Service Commission these responses to the first set of data requests from the Montana Public Service Commission.

Dated this 17th day of February, 2016.

CROWLEY FLECK PLLP

By:____________________________

Michael Green
CROWLEY FLECK PLLP
900 N. Last Chance Gulch, Suite 200
Helena, MT 59601

Attorneys for Mountain Water Co.

Objection and Clarification: Mountain Water Company ("Mountain Water") objects to references of the transaction at issue as Liberty's acquisition of Park. Liberty Utilities Co. ("Liberty") did not acquire Park Water Company as stated in PSC-001. Rather, Liberty purchased the units of Western Water Holdings, LLC ("Western Water Holdings") under the Merger Agreement between Liberty and Western Water Holdings (the "Merger"). In an attempt to be responsive to these data requests, Mountain Water addresses these data requests based on the transaction between Liberty and Western Water Holdings.

PSC-001

Regarding: Capital Used to Finance Acquisition
Witness: John Kappes

a. Please identify the final purchase price of the Liberty acquisition of Park.

b. Please identify the total amount of debt, and the associated cost of debt, used to finance the acquisition. Please explain whether the debt is unsecured or guaranteed by certain property, and in whose name the debt was issued.

c. Please identify the total amount of equity, and the source of the equity capital, used to finance the acquisition.

Responses:

a. Liberty Utilities paid $250 million and assumed outstanding debt of Park Water (on a consolidated basis). The outstanding debt of Park Water (on a consolidated basis) was not affected by the merger and remained.

b. The acquisition was financed with proceeds from a term credit facility 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 this term credit facility with senior unsecured notes and proceeds received through an equity issuance.

c. See response to PSC-001(b) above.

PSC-002

Regarding: Debt Associated with Mountain and Parent
Witness: John Kappes

a. Please identify and describe the terms (principal, interest rate, tenor, and any special conditions such as pre-payment penalties) of each note that is associated with the total amount of debt that Liberty assumed as part of the transaction.

b. Has Liberty retired, or does it intend to retire, any of the debt listed in response to (a)?

<u>Responses:</u>

a. Park Water's actual total debt, including short-term debt, at date of close (January 8, 2016) was $91.75 million. Please see Attachment PSC-002(a) for a list of Park Water consolidated debt as of January 8, 2016.

All of Park's existing debt issued through 2013 has make-whole provisions that have a reinvestment rate in the formula that is 50 basis points higher than the US Treasury rate for a maturity equivalent to the remaining weighted-average life to maturity of the bonds being redeemed.

b. Shortly after closing on January 8, 2016, Liberty paid down the outstanding balances of the Park Water credit lines and the Mountain Water Company credit line with US Bank. Liberty has not retired any of the Park Water long-term debt listed in response to PSC-002(a) above. As noted above, retiring the existing Park Water long term debt would trigger the make-whole provisions noted above.

In the past, Park Water has retired debt when the cost of new debt plus make-whole provisions and transaction costs are less than the current debt costs. When that older debt was retired, those savings were then passed on proportionally to the Mountain ratepayers in the subsequent rate application. Mountain Water expects that Park Water will continue to apply that practice in the future under Liberty Utilities.

RESPONSE NO. PSC-002

ATTACHMENT PSC-002(a) (MWC-A)

Park-Consolidated Total Debt at Close - January 8, 2016

Long-Term Debt

Holder of Obligation	Date of Issue	Date of Maturity	Principal Amt. Authorized	Outstanding Dec. 31, 2013	Rate	Make-Whole Provisions**
Nationwide Life	1995	2025	$ 10,000,000	$ 10,000,000	7.59%	T+50 b.p.
American United	2000	2020	$ 6,000,000	$4,285,716	8.82%	T+50 b.p.
State Life Insurance	2000	2020	$ 500,000	$357,142	8.82%	T+50 b.p.
Pioneer Life	2000	2020	$ 500,000	$357,142	8.82%	T+50 b.p.
Pacific Life	2006	2036	$ 15,000,000	$ 15,000,000	5.99%	T+50 b.p.
American United	2008	2033	$ 8,000,000	$ 8,000,000	7.56%	T+50 b.p.
State Life Insurance	2008	2033	$ 1,500,000	$ 1,500,000	7.56%	T+50 b.p.
Pioneer Mutual	2008	2033	$ 500,000	$ 500,000	7.56%	T+50 b.p.
Pacific Life	2008	2038	$ 7,000,000	$ 7,000,000	7.65%	T+50 b.p.
Pacific Life Annuity	2008	2038	$ 3,000,000	$ 3,000,000	7.65%	T+50 b.p.
American United	2013	2043	$ 5,500,000	$ 5,500,000	4.53%	T+50 b.p.
State Life Insurance	2013	2043	$ 1,000,000	$ 1,000,000	4.53%	T+50 b.p.
Pioneer Mutual	2013	2043	$ 1,000,000	$ 1,000,000	4.53%	T+50 b.p.
Pacific Life	2013	2043	$ 7,500,000	$ 7,500,000	4.53%	T+50 b.p.
Cobank *	2014	2019	$30,000,000	$22,500,000	Var	No
Totals			$97,000,000	$87,500,000		

Short-Term Debt

This consists of outstanding balances in credit lines

Bank of America - Credit Line	$1,650,000
Wells Fargo-Credit Line	$2,200,000
US Bank-Credit Line	$400,000
Total	$4,250,000

Total Debt $91,750,000

* Only $22.5 million of the CoBank Note has been issued. The interest rate on this debt is variable at Libor + 80 basis points and there is a commitment fee of 0.25% per year on th eunused balance.

** T+50 b.p. indicates that the reinvestment rate in the formula for the make-whole provision is 50 basis points higher than the US Treasury rate for a maturity equivalent to the remaining weighted-average life to maturity of thebonds being redeemed.

PSC-003

Regarding: Practice of Debt Issues
Witness: John Kappes/Peter Eichler

a. Does Liberty issue debt for its holdings at the operating company level or at the parent company level? If not, please describe Liberty's practice.

b. Identify and describe the terms (principal, interest rate, tenor) of each note that is associated with the debt issues that Liberty as a parent holds and that each of its operating companies holds.

c. Does APUC issue debt for its holdings at the operating company level or at the parent company level? If not, please describe Liberty’s practice.

d. Identify and describe the terms (principal, interest rate, tenor) of each note that is associated with the debt issues that APUC as a parent holds and that each of its operating companies holds.

Responses:

a. Liberty issues debt for its operating companies and regulated utilities at the parent company level.

b. Debt issuances for operating companies in other states do not have any bearing or relevance on the issues in this proceeding. Mountain Water asserts that the information sought in this request lacks relevance, is overly broad and unduly burdensome and goes beyond the scope of this docket proceeding. Nonetheless, Mountain Water responds to this Data Request as follows:

Liberty has the following debt issuances for operating companies and regulated utilities in other states. Liberty also is in the process of seeking and obtaining approval by the Arizona Corporation Commission for debt issuances for the following regulated utilities in Arizona: Liberty Utilities (Black Mountain Sewer) Corp., Liberty Utilities (Bella Vista Water) Corp., and Liberty Utilities (Rio Rico Water & Sewer) Corp. Those debt issuances are currently in the process of being reviewed and approved by the Arizona Corporation Commission.

Liberty has the following notes:

Operating companies:

Calpeco Electric System: Senior Unsecured Notes: U.S. $45,000 bearing an interest rate of 5.19%, maturing December 29, 2020; U.S. $25,000 bearing an interest rate of 5.59%, maturing December 29, 2025. The notes have interest only payments, payable semi-annually in arrears.
Liberty Water Co: Senior Unsecured Notes: U.S. $50,000 bearing an interest rate of 5.60% $5,000 matures annually beginning June 20, 2016; $25,000 maturing December 22, 2020. The note bears interest payments semi-annually in arrears.
New England Gas System: First mortgage bonds: U.S. $6,500, bearing an interest rate of 9.44%, maturing February 15, 2020; U.S. $7,000, bearing an interest rate of 7.99%, maturing September 15, 2026; U.S. $6,000, bearing an interest rate of 7.24%, maturing December 15, 2027. The notes have interest only payments, payable semi-annually in arrears.
Granite State Electric System: Senior unsecured notes: U.S. $5,000, bearing an interest rate of 7.37%, maturing November 1, 2023; U.S. $5,000, bearing an interest rate of 7.94%, maturing July 1, 2025; and, U.S. $5,000, bearing an interest rate of 7.30%, maturing June 15, 2028. The notes have interest only payments, payable semi-annually.
LPSCo Water System: 1999 and 2001 IDA Bonds bearing interest rates of 5.95% and 6.75% and maturing October 1, 2023 and October 1, 2031, respectively. The bonds have principal and interest payments, payable monthly in arrears.
Bella Vista Water System: Water Infrastructure Financing Authority of Arizona loans bearing interest rates of 6.26% and 6.10%, and maturing March 1, 2020 and December 1, 2017, respectively. The loans have principal and interest payments, payable monthly and quarterly in arrears.

Parent Company:

Liberty Utilities Co.: Senior Unsecured Notes: U.S. $ 50,000, bearing an interest rate of 3.51%, maturing July 31, 2017; U.S. $ 25,000, bearing an interest rate of 3.23%, maturing July 31, 2020; U.S. $115,000, bearing an interest rate of 4.49%, maturing August 1, 2022; U.S. $ 15,000, bearing an interest rate of 4.14%, maturing March 13, 2023; U.S. $ 75,000, bearing an interest rate of 3.86%, maturing July 31, 2023; U.S. $ 60,000, bearing an interest rate of 4.89%, maturing July 30, 2027; U.S. $ 25,000, bearing an interest rate of 4.26%, maturing July 31, 2028. The notes have interest only payments, payable semi-annually.

c. See response to PSC-003(a) above for Liberty's practices.

d. See response to PSC-003(b) above. APUC's publicly available financial statements reflecting APUC's debt information can be found at:

http://investors.algonquinpower.com/FinancialDocs.aspx?iid=4142273

http://investors.algonquinpower.com/QuarterlyResults.aspx?iid=4142273

The Q3 2015 report can be found at (the balance sheet showing the consolidated capital structure is at page 43):

http://investors.algonquinpower.com/file.aspx?iid=4142273&fid=1500077730

Operating companies have the following notes (shown in thousands of Canadian dollars):

Algonquin Power Co.: Senior Unsecured Notes: $200,000 bearing an interest rate of 4.65% maturing February 15, 2022; $150,000 bearing an interest rate of 4.82% maturing February 15, 2021; $135,000 bearing an interest rate of 5.50% maturing July 25, 2018. The notes have interest only payments, payable semi-annually in arrears.	**481,991**
Shady Oaks Wind Facility: Senior Debt: U.S. $76,000 Chinese Development Bank Corporation loan facility, bearing an interest rate of 6 month LIBOR plus 280 basis points, maturing June 30, 2026. The facility has principal and interest payments, payable semi-annually in arrears.	—
Long Sault Hydro Facility: Senior Debt: Bonds bearing an interest rate of 10.21% maturing December 31,2027. The bonds have interest and principal payments, payable monthly in arrears.	**34,761**
Chuteford Hydro Facility: Senior Debt: Bonds bearing an interest rate of 11.6%, maturing April 1, 2020. The bond has principal and interest payments, payable monthly in arrears.	**2,587**

PSC-004

Regarding: Dividends
Witness: John Kappes

a. Please describe Mountain Water's dividend policies in relation to Park Water under the pre-merger of Western Water Holdings, i.e., what are the guidelines that the company uses to decide how much they pay and when they pay shareholders, and at what level of the corporate structure?

b. Please describe Western Water Holdings dividend structure to its parent entities under the pre-merger of Western Water Holdings.

Responses:

a. The general dividend policy/model of Mountain Water and Park Water, pre-merger, is that Mountain did not issue dividends directly, and instead, under the consolidated financing of Park, dividends were paid out at the Park level to rebalance the consolidated debt to equity ratio.

Therefore, instead of paying dividends directly, Mountain Water reinvested its earnings into its system infrastructure, which built up its retained earnings (equity) over time. On a consolidated basis this increased Park's retained earnings (equity). As the consolidated equity ratio increased, a combination of new borrowing and payments of dividends out of retained earnings at the Park level was required to rebalance the consolidated debt to equity ratio that is used for rate setting purposes.

Without these additional borrowings and dividend payments, eventually Park would become 100% equity which would not be supported by this Commission or the California Commission.

Pre-merger, the only dividend policy applicable to Mountain Water was the stipulated ring-fencing condition adopted in MPSC Order 7149d that states: "MWC shall not make any distribution to Park, or to any affiliate of Mountain or Park, that would cause MWC's equity capital to fall below 45 of its rate base without first obtaining Commission approval." Mountain Water fully complied with that condition. And as stated above, Mountain Water Company did not issue any dividends pre-merger.

The only memorialized pre-merger dividend policies for Park Water are:

1) The dividend policy adopted by the Park Water Board with notice to the California Public Utilities Commission (CPUC) on February 12, 2012 (attached as Attachment PSC-004(a)); and
2) The Settlement Agreement between Park Water/Apple Valley Ranchos and the Division of Ratepayer Advocates (DRA) adopted by the CPUC in D.11-12-007, in which Condition No. 4 states: "4. For financial purposes, Park Water shall maintain an equity percentage of at least 45% on a Park-and-subsidiaries-consolidated basis, except to the extent the Commission imputes a lower equity percentage for ratemaking purposes." This effectively served as a limitation to dividends upstream from Park to Western Water Holdings, and the limitation was on Park and its subsidiaries, which included Mountain Water.

b. See response to PSC-004(a) above. Distribution guidelines for Western Water Holdings are set forth in Article VI of the Western Water Holdings, LLC Second Amended and Restated Limited Liability Agreement dated February 28, 2012 (relevant pages attached as Attachment PSC-004(b)).

RESPONSE NO. PSC-004

ATTACHMENT PSC-004(a) (MWC-B)

Park Water Company

February 22, 2012

Mr. Paul Clanon, Executive Director
California Public Utilities Commission
505 Van Ness Avenue
San Francisco, CA 94102

Dear Mr. Clanon:

Re: Notification by Park Water Company of Change in Corporate Dividend Policy in Compliance with D. 11-12-007 in the matter of A. 11-01-019, Acquisition by Western Water Holdings, LLC of the stock of Park Water Company.

In the matter of A. 11-01-019, Request for Authorization for Western Water Holdings, LLC to acquire and control Park Water Company (Park) and, indirectly, Apple Valley Ranchos Water Company (AVR), the Applicants reached a Settlement with the Division of Ratepayer Advocates (DRA) on a number of conditions for approval of the transaction. That settlement was adopted by the Commission in D. 11-12-007. Condition of Approval No. 6 in that Settlement states: "Park Water and AVR will notify DRA and the Commission in writing of any change in corporate dividend policy within 30 days of the effective date of the adoption of such change (D.1-12-007, Attachment A, Settlement Agreement, page 7).

On February 2, 2012 the Board of Directors of Park Water Company adopted the following Dividend Policy Statement:

> "It is the policy of Park Water Company ("Company") to pay dividends to its shareholders solely from free cash flow and from retained earnings previously accrued by the Company in the current year or prior years, and only to the extent that is consistent with the cash flow and investment needs of the Company and with the Company's intention to maintain a balanced capital structure."

Park did not previously have any written or formal dividend policy and the adoption of the above policy represents the establishment of, if not a change in, Park's corporate dividend policy. The dividend policy statement adopted by Park is consistent with the expectations stated to DRA in response to DRA's data requests in A.11-01-019 (Response to Data Request JRC-1, Question 18).

Sincerely,

Leigh K. Jordan
Executive Vice President/Secretary

cc: Joseph Como, DRA - Acting Director
Matthew Marcus, DRA - Interim Deputy Director for Water & Communications
Danilo Sanchez, DRA - Program Manager, Water Branch
Raminder Kahlon, DWA - Director

RESPONSE NO. PSC-004

ATTACHMENT PSC-004(b) (MWC-C)

ARTICLE VI
DISTRIBUTIONS

Section 6.1 Generally. Subject to the provisions of Section 18-607 of the Act and to the provisions of this ARTICLE VI, the Board shall have sole discretion regarding the amounts and timing of Distributions to Holders; provided that, the Board shall, on a quarterly basis, consider in good faith making Distributions from surplus cash, taking into account the terms of any Company and Subsidiary financings and indebtedness, capital investment requirements, budgeted and anticipated expenses, other projected cash requirements and applicable law; provided further that all Distributions shall be approved by Members holding, in the aggregate, at least 66 2/3% of the outstanding Class A Units (which approval may be withheld in the sole discretion of any Class A Members). The making of Distributions hereunder shall be subject to the terms and conditions of any indebtedness incurred by the Company or its Subsidiaries.

Section 6.2 Distributions.

(a) Subject to Section 6.1, Distributions shall be made when and as declared by the Board to each Holder in the following order and priority:

(i) First, to the Class A Holders (ratably among such Holders based upon the aggregate Unpaid Preferred Return with respect to all outstanding Class A Units held by each such Holder immediately prior to such Distribution), until the aggregate Unpaid Preferred Return with respect to each such Holder's Class A Units has been reduced to zero;

(ii) Second, to the Class A Holders, an amount equal to the aggregate Unreturned Capital with respect to their Class A Units outstanding immediately prior to such Distribution (in the proportion that each such Holder's share of Unreturned Capital with respect to its Class A Units outstanding immediately prior to such Distribution bears to the aggregate Unreturned Capital with respect to all Class A Units outstanding immediately prior to such Distribution) until each such Holder has received Distributions with respect to its Class A Units pursuant to this Section 6.2(a)(ii) in an amount equal to the aggregate Unreturned Capital with respect to its Class A Units outstanding immediately prior to such Distribution; and

(iii) Third, to each Holder, an amount equal to the product of (x) the remaining aggregate amount to be distributed as part of the specific Distribution in question, multiplied by (y) a fraction, (A) the numerator of which is the number of Class A Units (if any) and Class B Units (if any) held by such Holder immediately prior to such Distribution and (B) the denominator of which is the aggregate number of Class A Units and Class B Units outstanding immediately prior to such Distribution; provided, however, that any Class B Units which are forfeited, repurchased and/or canceled by the Company pursuant to Section 8.10 hereof, the terms of any Class B Holder's Class B Unit Grant Agreement or otherwise (if any) shall be treated as outstanding and held by Investor (or its Assignee) for purposes of this Section 6.2(a)(iii) unless and until such Class B Units are re-issued to any subsequent Holder.

(b) Notwithstanding the foregoing, any Class B Units which are not Vested Class B Units (each such Unit, an "Unvested Class B Unit") shall not entitle such Class B Holders to receive any Distributions pursuant to this Section 6.2 unless and until such Unvested

Class B Units become Vested Class B Units, provided that the portion of such Distribution attributable to any Unvested Class B Units shall be held in reserve by the Company (the "Reserve Amount") until such Unvested Class B Units either (i) become Vested Class B Units, in which case the Reserve Amount attributable to such Units shall be distributed to the Holder of such Units upon or as soon as reasonably practicable after vesting, or (ii) are forfeited by their Holder and deemed acquired by the Company in accordance with Section 3.8(a) above, in which case the Reserve Amount attributable to such Units shall be distributed among the Holders of the remaining Units pursuant to this Section 6.2 (but subject to the holdback terms of this sentence with respect to any Unvested Class B Units).

Section 6.3 Withholding of Certain Amounts.

(a) Notwithstanding any other provision contained herein to the contrary, the Company, at the discretion of the Board, may withhold from any distribution to any Service Provider Member contemplated by this Agreement, solely with respect to such Service Provider Member's Class B Units, any amounts due and payable by such Service Provider Member to the Company or to any other Person in connection with the business of the Company and its Subsidiaries to the extent not otherwise paid. Any amount withheld pursuant to this Section 6.3 shall be applied or paid by the Company to discharge the obligation in respect of which such amount was withheld.

(b) Notwithstanding anything to the contrary contained herein, all amounts withheld by the Company pursuant to Section 6.3(a) with respect to a Service Provider Member shall be treated as if such amounts were distributed to such Service Provider Member under this Agreement.

ARTICLE VII
TAX AND ACCOUNTING MATTERS; INFORMATION RIGHTS

Section 7.1 Tax Returns. Without limiting the provisions of and subject to Section 7.3, the Board shall cause to be prepared and filed all necessary federal and state income tax returns for the Company, and shall cause the Company to make any elections and filings it may deem appropriate and in the best interests of the Members. Each Holder shall furnish to the Company all pertinent information in its possession relating to Company operations that is necessary to enable the Company's income tax returns to be prepared and filed. The Company shall furnish all pertinent information to the Holders that is necessary to determine amounts includable on their tax returns with respect to the Company not later than 90 days after the end of the Taxable Year or any extension period granted by the relevant authority having jurisdiction over such matters.

Section 7.2 Reserves. The Board may from time to time establish such reasonable cash reserves as it shall reasonably determine.

Section 7.3 No Partnership Status. The Members intend that the Company shall not be a partnership (including a limited partnership) or joint venture, and that no Holder shall be a partner or joint venturer of any other Holder by virtue of this Agreement. Within 75 days of the Formation Date, the Company shall file Internal Revenue Service Form 8832 electing to be

PSC-005

Regarding: Dividends
Witness: John Kappes

a. Please describe Mountain Water's dividend policies in relation to Park Water under the post-merger of Western Water Holdings.

b. Please describe Western Water Holdings dividend structure to its parent entities under the post-merger of Western Water Holdings.

Responses:

a. See response to PSC-004(a) above. Post-merger, Mountain Water will continue to comply with and follow the existing ring fencing condition applicable to declarations of dividends.

b. Post-merger, Western Water Holdings will continue to follow the distribution guidelines set forth in applicable limited liability agreements.

PSC-006

Regarding: Dividends
Witness: John Kappes

Please describe Apple Valley Ranchos Water Company's dividend policies post-merger.

Response: See response to PSC-004(b) above. Pre-merger, the dividend policy of Apple Valley Ranchos Water Company was to pay dividends to its shareholders solely from free cash flow and from retained earnings previously accrued by the Company in the current year or prior years, and only to the extent that is consistent with the cash flow and investment needs of the Company and with the Company’s intention to maintain a balanced capital structure. Liberty Apple Valley continues to use that dividend policy post-merger.

PSC-007

Regarding: Capital Structure, Cost of Debt
Witness: Peter Eichler/John Kappes

a. Please provide the post Algonquin Power and Utilities Corporation (APUC) post Park Water acquisition capital structure and embedded cost of long and short term debt.

b. Please provide the post Liberty Utilities Co. post Park Water acquisition capital structure and embedded cost of long and short term debt.

c. Please provide the post Western Water Holdings, LLC post Park Water acquisition capital structure and embedded cost of long and short term debt.

d. Please provide the Park Water Company capital structure and embedded costs of short long term debt pre-acquisition by APUC/Liberty Utilities and post-acquisition by APUC/Liberty Utilities.

e. Please provide the Mountain Water Company capital structure and embedded costs of short long term debt pre-acquisition by APUC/Liberty Utilities and post- acquisition by APUC/Liberty Utilities

<u>Responses:</u>

See General Objection and Clarification.

a. Prior to the merger, APUC's capital structure was 56% equity and 44% debt with a weighted average coupon rate (excluding credit facilities) of 4.84%. APUC has not yet produced financial statements post-merger, but APUC anticipates maintaining a capital structure post-merger in the same range or equivalent to the capital structure pre-merger.

b. Prior to the merger, Liberty's capital structure was 57% equity and 43% debt with a weighted average coupon rate (excluding credit facilities) of 4.95%. Liberty has not yet produced financial statements post-merger, but Liberty anticipates maintaining a capital structure post-merger in the same range or equivalent to the capital structure pre-merger.

c. Post-merger, the capital structure of Western Water Holdings remains 100% equity.

d. As has been recognized by the Montana PSC in prior Mountain Water rate cases since Docket 94.7.26, Park Water serves as a common source of necessary debt capital for its subsidiaries as well as its operating divisions. The Montana PSC has recognized that fact by using the Park-Water consolidated capital structure for Mountain Water ratemaking purposes (as the California PUC has done for Park Water and Apple Valley Ranchos Water). On a stand-alone basis, Park Water would be very highly leveraged and its subsidiaries, including Mountain Water, would be 100% equity. The Park Water consolidated capital structure upon which Mountain Water's current rates are based (adopted by the Montana Commission for Mountain Water for Test Year 2011) included $68.66 million of equity and $53.7 million of long-term debt for an equity ratio of 56.12%. Short-term debt has not been included in the capital structure for ratemaking purposes. Mountain Water's SRF loan with a balance of $270,000 as of 12/31/11 (now paid off) also is not included in the ratemaking capital structure. The adopted cost of long-term debt reflected in current rates is 8.39%.

The Park Water's consolidated capital structure pre-merger (at closing) was 49.64% equity and the average cost of long-term debt was 6.039%. The average cost of short-term debt was 1.74%. Post-merger, the short term debt has been paid. Because the short term debt has been excluded from Park Water's capital structure for ratemaking purposes, the transaction had no impact on Park Water's regulatory capital structure.

e. The Mountain Water capital structure, on a stand-alone basis, pre-merger was 100% equity. Mountain Water doesn't have any long-term debt and short-term debt is not included in the capital structure for ratemaking purposes (Mountain Water had $400,000 of short-term debt through its credit line at US Bank). Post-merger, Mountain Water's capital structure on a stand-alone basis remains 100% equity. Again, the Mountain Water capital structure used by the Montana PSC for ratemaking purposes since Docket 94.7.26 has been the Park Water consolidated capital structure, which was also unaffected by the merger.

PSC-008

Regarding: Acquisition Adjustment
Witness: John Kappes

If there is a Mountain Water rate case, will an acquisition adjustment be sought?

Response: No. An acquisition adjustment relating to the Merger will not be sought in future rate cases.

CERTIFICATE OF SERVICE

I hereby certify that on February 17, 2016, the foregoing Responses to Data Requests PSC 001 through PSC 008 were served via electronic and U.S. mail on:

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