

**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) **REGULATORY DIVISION**
whether Mountain Water Company's rates are)
Just and Reasonable.) **DOCKET NO. D2016.2.15**
)

**MOUNTAIN WATER COMPANY'S SECOND SET OF DATA REQUESTS TO
THE MONTANA CONSUMER COUNSEL
(MWC-045 THROUGH MWC-060)**

DATA REQUESTS

MWC-045 RE: References to "Carlyle," Wilson Testimony
Witness: John Wilson

Dr. Wilson's testimony refers generally to "Carlyle" several times without indicating which entity Dr. Wilson is referring to. Please separately identify the entity Dr. Wilson is referring to for each reference to "Carlyle," including Page 5, line 10; Page 7, line 17 and fn. 2; Page 8, lines 11, 12 and fn. 3; Page 9, line 13; Page 12, line 14; Page 13, lines 3, 6, 17, 18, and 9; Page 14, lines 18 and 19; Page 15, lines 2 and 4; Page 16, line 6; Page 17, line 6 and 13; Page 18, line 18; Page 19, line 3; Page 20, line 10, 15, 16 and fn. 11; Page 21, lines 13 and 14; Page 22, line 2; Page 23, line 2; Page 24, lines 8 and 11; Page 25, line 18; Page 26, line 16.

In each response to the following data requests, please identify and refer to the appropriate entity, rather than Carlyle generally.

MWC-046 RE: "Carlyle" Returns, Wilson Testimony 8:11-9:3
Witness: John Wilson

Footnote 5 in Dr. Wilson's testimony appears to contend that Carlyle was allowed and earning a 16% return on the entire value of "Carlyle's equity interest in Park Water."

- a. Please identify the value of Carlyle's equity interest on which Dr. Wilson contends Carlyle was earning 16%.
- b. Please identify the Commission order or docket in which the Commission authorized a return on equity for Carlyle.

- c. Please identify the Commission order or docket in which you contend the Commission authorized Carlyle to recover a return on capital.
- d. Please identify the Commission order or docket in which you contend the Commission authorized Mountain Water or any other entity to recover a return on capital in excess of Mountain Water's rate-base.

MWC-047 RE: "Carlyle" Returns, Wilson Testimony p. 9, fn. 5
Witness: John Wilson

The first calculation in footnote 5 calculates "finance cost reduction" of \$19.2 million.

- a. Please admit this calculation is based on the assumption that Carlyle was earning a return of 16% on \$160 million of capital.
- b. If the response to (a) is anything other than an unqualified admission, please explain your response.
- c. If you admit (a), please identify the basis for the contention that the Commission authorized Carlyle to earn 16% on \$160 million.
- d. Please describe the amount of Carlyle's returns Dr. Wilson contends were included in Mountain Water's current rates.

MWC-048 RE: "Carlyle" Returns, Wilson Testimony p. 9, fn. 5
Witness: John Wilson

The second calculation in footnote 5 calculates a potential "cost savings" of \$32.9 million.

- a. Please admit this calculation is based on the assumption that Carlyle was earning a return of 16% on \$235 million of capital.
- b. If the response to (a) is anything other than an unqualified admission, please explain your response.
- c. If you admit (a), please identify the basis for the contention that the Commission authorized Carlyle to earn 16% on \$235 million.

MWC-049 RE: Commission Jurisdiction, Wilson Testimony pp. 12 -13
Witness: John Wilson

- a. Please admit Mountain Water has not proposed a rate increase as a result of Liberty's acquisition of Western Water Holdings.
- b. If the response to (a) is anything other than an unqualified admission, please explain your response.

- c. Please describe any deterioration of service of which Dr. Wilson is aware of since Liberty's acquisition of Western Water Holdings.
- d. Please admit The Carlyle Group was not a party to docket D2011.1.8.
- e. If Dr. Wilson contends the Carlyle Group was subject to the jurisdiction of the Commission" regarding its acquisition of Park Water, please describe the basis for his contention, including cites to any documents supporting his contention.

MWC-050 RE: "Carlyle's" Capital, Wilson Testimony 13:15-19
 Witness: John Wilson

- a. Please admit Dr. Wilson's calculations and testimony are based on the assumption that Carlyle did not use any debt to finance its acquisition of Park Water.
- b. If the response to (a) is anything other than an unqualified admission, please explain your response.
- c. If the response to (a) is an admission, please describe the steps Dr. Wilson took to verify Carlyle did not use debt for its acquisition of Park Water.
- d. Please describe the basis for Dr. Wilson's testimony that Carlyle's "capital costs of ownership" are higher than Liberty or Algonquin.
- e. Please describe in detail, including identification of source documents reviewed, any review of Carlyle's capital structure undertaken by Dr. Wilson, including a description of Dr. Wilson's contention as to the amount of Carlyle's cost of capital.

MWC-051 RE: Liberty's Acquisition, Wilson Testimony 13:15-19
 Witness: John Wilson

- a. Please admit Mountain Water's actual capital structure remains 100% equity owned by Park Water.
- b. Please admit Western Water Holding's interest in Park Water is equity.
- c. Please admit Carlyle's ownership interest in Western Water Holdings was equity.
- d. Please admit Liberty's ownership interest in Western Water Holdings is equity.
- e. If the response to (a) through (d) is anything other than an unqualified admission, please explain your response.

MWC-052 RE: Liberty's Acquisition, Wilson Testimony 13:15-19
 Witness: John Wilson

- a. Please admit that a buyer's use of debt as the source of funds to acquire an equity interest in a company, does not convert the buyer's ownership interest to debt.

- b. If the response to (a) is anything other than an unqualified admission, please explain your response.
- c. Please identify any statutory, administrative or other legal authority, or any academic or industry publication or treatise Dr. Wilson contends supports his response to (b).
- d. Please provide copies of any documents identified in response to (c).

MWC-053 RE: Mountain Water's rates, Wilson Testimony 16:5-9
 Witness: John Wilson

- a. Please identify, by cite to testimony or provisions of an order, the basis for Dr. Wilson's testimony that Mountain Water's current rates are based on the cost of "Carlyle's" equity capital.
- b. Please identify the portions of testimony Dr. Wilson offered in dockets D2011.1.8 or D2012.7.81 in which he identifies, analyzes or discusses Carlyle's cost of equity.
- c. Please admit the Commission refused Dr. Wilson's request to adjust the rate of return it authorized Mountain Water in D2012.7.81 based on any Carlyle entity's ownership.
- d. If the response to (c) is anything other than an unqualified admission, please explain your response.

MWC-054 RE: Mountain Water's rates, Wilson Testimony
 Witness: John Wilson

- a. Please admit Mountain Water's current rates are based on a Commission-authorized ROE of 9.8%.
- b. Please admit the Commission authorized this rate after considering testimony from both Dr. Wilson and Mountain Water's expert Thomas Zepp.
- c. Please admit that both experts Wilson and Zepp developed ranges of potential ROE's in docket D2012.7.81, based on actual reported returns and analyst projections for a group of proxy companies.
- d. Please admit the purpose of the use of the proxy group was to determine a reasonable return on equity for hypothetical equity investments in Mountain Water.
- e. Please describe any changes to the proxy group Dr. Wilson previously used, which you contend would be required as a result of Liberty's acquisition of Western Water Holdings.

MWC-055 RE: Rate Adjustments, Wilson Testimony pp. 18-19
Witness: John Wilson

- a. Please admit Dr. Wilson is advocating the Commission alter Mountain Water's rates by suspending or lowering Mountain Water's returns as punishment for Liberty's decision to close its acquisition of Western Water Holdings without Commission approval.
- b. Please admit Dr. Wilson is not offering testimony about Mountain Water, Park Water, Liberty or APUC's actual costs of capital.
- c. If the response to (a) or (b) is anything other than an unqualified admission, please explain your response.
- d. Please identify the authority Dr. Wilson contends would allow the Commission to suspend Mountain Water's recovery of its equity return as a result of Liberty's decision to close its acquisition of Western Water Holdings without Commission approval, including identification of any statutory, administrative or other legal authority, or any academic or industry publication or treatise Dr. Wilson contends supports his testimony or response to this request.
- e. Please identify the authority Dr. Wilson contends would allow the Commission to lower Mountain Water's equity return without a full analysis of Mountain Water's cost of capital as a result of Liberty's decision to close its acquisition of Western Water Holdings without Commission approval, including identification of any statutory, administrative or other legal authority, or any academic or industry publication or treatise Dr. Wilson contends support his testimony or response to this request.

MWC-056 RE: Rate Adjustments, Wilson Testimony pp. 18-19
Witness: John Wilson

- a. Please identify any order of any regulatory commission or court of which Dr. Wilson is aware in which a utility's cost of capital or rates were reduced under circumstances he considers similar to this case.
- b. Please provide a copy of any order identified in response to (a).

MWC-057 RE: Park Water Capital Structure, Wilson Testimony pp. 21-23
Witness: John Wilson

Does Dr. Wilson contend that the current regulatory capital structure of Park Water consists of total capital of \$327 million consisting of \$90 million of equity, \$160 million of 30-year debt at 4.13%, and \$77 million of existing debt at its actual blended rate?

- a. If yes, please explain the basis for this conclusion. If no, please explain the significance of those values on pages 21 through 23 of his testimony.

- b. If no, please describe the current regulatory capital structure Dr. Wilson contends exists for Park Water.
- c. Please describe the total return to which Dr. Wilson contends Liberty would be able to recover from Park Water under the capital structure he describes in (b).
- d. Does Dr. Wilson contend that 31.81% of the \$90 million of equity capital he contends Liberty invested should be “assigned to Mountain Water”?
- e. Please describe the basis for Dr. Wilson’s response to (d), including an identification of the amount of equity he believes should be attributed to Mountain Water under the current ownership.

MWC-058 RE: Tax Loading, Wilson Testimony p. 19
 Witness: John Wilson

Dr. Wilson contends the authorized ROE from D2012.7.81 must be grossed up by 40% to account for tax differences between debt and equity.

- a. Is it Dr. Wilson’s contention that the \$160 million of Liberty’s interest in Western Water he contends was financed with APUC debt should be treated as debt of Park Water?
- b. If so, please identify the legal or financial theory basis which would authorize the debt of a parent company to be allocated to Park Water under these circumstances, including identification of any statutory, administrative or other legal authority, or any academic or industry publication or treatise Dr. Wilson contends support his testimony.
- c. If not, please describe why Dr. Wilson contends the rate of return allowed on the \$160 million of investment he contends was funded by APUC’s debt issuance is not entitled to a mark up to account for tax differences between debt and equity.

MWC-059 RE: Rates of Return, Wilson Testimony pp. 21-23
 Witness: John Wilson

- a. Please admit Mountain Water’s current rates are based on an allowed rate of return of 9.18%.
- b. Please admit Mountain Water’s current rates are based on rate base of \$36,185,831.
- c. Please admit Mountain Water’s capital for purposes of determining its allowed returns for Montana regulatory purposes is its rate base.
- d. Please admit the maximum authorized return for Mountain Water is therefore \$3,321,859.

- e. Please describe how you contend Mountain Water can achieve financing cost savings in excess of its total authorized return.

MWC-060 RE: Authority for Adjustments, Wilson Testimony
Witness: John Wilson

- a. Please identify any statutory, administrative or other legal authority Dr. Wilson contends supports the Commission imposition of the adjustments advocated in his testimony.
- b. Please identify any academic or industry publication or treatise Dr. Wilson contends support the adjustments advocated in his testimony.
- c. Please identify any matter from any state in which Dr. Wilson contends the regulatory authority imposed adjustments similar or analogous to any of the adjustments advocated in his testimony.
- d. Please identify any matter from any state in which Dr. Wilson contends the regulatory authority imposed a cost of capital adjustment on a utility without considering changes to the utility's other costs.

CERTIFICATE OF SERVICE BY MAIL

I hereby certify that on April 20, 2016, the foregoing was served via electronic and U.S. mail on:

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