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BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Joint Application of PARK WATER COMPANY)
(U 314 W) and APPLE VALLEY RANCHOS)
WATER COMPANY (U 346 W) for Authority) APPLICATION NO. 12-05-001
to Establish an Authorized Cost of Capital for)
2013 - 2015.)
_____)

RESPONSE OF

PARK WATER COMPANY (U 314 W)

TO THE DIVISION OF RATEPAYER ADVOCATES MOTION TO COMPEL DISCOVERY

FROM PARK WATER COMPANY

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June 18, 2012

I. Introduction

Pursuant to Rule 11.3 (b) Park Water Company (Park), hereby files its response to the Motion to Compel Discovery from Park Water Company (Motion) made verbally by the Division of Ratepayer Advocates (DRA) at the Pre-Hearing Conference (PHC) on June 12, 2012 (TR 15, 21- 16,5). This response is timely filed.

At the PHC, counsel for DRA raised a concern for the first time about a discovery issue with Park by stating "...and they are refusing to give us information about Carlyle Group's capital structure and their access to capital." (TR 16, 2-5) This statement is inaccurate and mischaracterizes the situation as an ongoing discovery dispute.

On May 8, 2012 DRA sent Park a data request asking for certain information and documents of Carlyle Infrastructure Partners LP (CIP) and Western Water Holdings LLC (WWH)¹ in addition to those requested for Park. Almost a month prior to the PHC, on May 14, 2012, Park provided its response to DRA's data request, including objections to the requests that related to CIP and WWH. Park's objections included reasons and explanations why the specific information and/or documents requested were not available and/or, given the nature and structure of CIP and WWH, not necessary or relevant and would provide no meaningful information.

Prior to the issue being raised by counsel for DRA at the PHC, DRA had given no indication to Park that it had not found Park's discovery responses adequate. Park continues to maintain that its reasons and explanations for objecting to the specific requests by DRA are valid but also notes that those explanations indicated that most of the requested information and/or documents for WWH and CIP simply do not exist. Furthermore, Park's explanation in its responses did provide the information which DRA claimed at the PHC that Park had refused to provide – the capital structures of WWH and CIP (Park assumes that DRA's reference at the PHC to "The Carlyle Group" was intended as a collective reference to CIP and WWH since DRA has not made any requests to Park in this proceeding for information or documents of The Carlyle Group).

¹ WWH is Park's immediate parent. WWH is a wholly-owned subsidiary of Carlyle Infrastructure Partners Western Water L.P. (CIP Western Water), which is wholly-owned by a group of investment fund vehicles associated with CIP. The Carlyle Infrastructure Fund, and the investors in that fund (primarily large institutional investors, including CalPERS), since that fund provided the source of the capital for the acquisition of Park's stock are, at least in a sense, ultimately the investors in the equity of Park.

II. Sequence of Events

The discovery in question, the only discovery in this proceeding which relates to any unregulated upstream parent of Park, is Data Request DRA-1. In DRA-1, with the exception of requests for back-up information on Park's estimates and for historic earned and authorized return, all other requests for information and/or documents, relating to credit assessments and ratings, debt issuances, pensions plan assets, financial statements, and capital structure components, were requested for CIP and WWH as well as for Park. Park received DRA-1 on May 8, 2012. Park responded promptly on May 14, 2012. This response provided the information and documents relating to Park. Park objected, however, to the requests relating to CIP and WWH on the bases that 1) Park did not have that information and/or documents; 2) Park does not see that the Commission's Affiliate Transaction Rules (ATR) provide DRA access to the books and records of CIP or WWH in this instance; and 3) due to the structure of these companies (WWH is a newly created non-operating company that was formed for the purpose of holding Park's stock, which is currently all that it is holding, and CIP is a limited partnership investment fund whose holdings do not include any other regulated utilities except Park and its subsidiaries) and the fact that neither company has any long-term debt, the requested information and documents for WWH and CIP cannot reasonably be considered necessary to address DRA's concerns in this proceeding (a copy of Park's response to Data request DRA-1 is attached to this response).

On May 16, 2012 Park received DRA's Data request DRA-2. This data request did not request any information or documents for CIP or WWH and did not refer to Park's response to DRA-1. Accordingly, Park had no knowledge that DRA considered that response inadequate, that Park's explanations were not sufficient, or that DRA disputed the bases for Park's objection to DRA's request for information and documents relating to CIP and WWH and still sought to receive them, until the statements of DRA's counsel at the PHC.

III. The Explanations in Park's Response Addressed Most of DRA's Questions

Park's response to DRA-1, in explaining its objection to the specific requests related to CIP and WWH, provided most of the information DRA requested, or made it clear that most of the requested information or documents do not exist.

Park's explanation included the information that neither CIP nor WWH has any long-term debt. Therefore, the specific information which DRA claimed at the PHC that Park was refusing to provide, the capital structure (TR 16, 2-5), was provided in the explanation contained in Park's response to DRA: since neither CIP nor WWH has any long-term debt and the Commission has never recognized short-term debt as a component of the capital structures for ratemaking purposes, both of these companies have a 100% equity capital structure. CIP, as a limited partnership, does not actually have any outstanding stock and does not have a capital structure in the same way that a corporation does.

Park's explanation of the nature of CIP and WWH, the relatively recent formation of WWH, and the fact that neither company has any long-term debt makes it clear that neither company has any private placement documents for debt issuances, credit reports or bond ratings from S&P, Moody's, or Fitch, and are unlikely to have made any presentations to rating agencies, banks, insurance companies, and/or investment firms, to have issued any prospectuses for equity issuances, or to have pension plans. WWH clearly has no financial statements available for the multiple years requested by DRA, as it was just organized in 2011. Pretty much the only things, likely to in fact exist, that Park did not provide in its response were copies of whatever financial statements might exist for WWH and CIP for the timeframe requested.

IV. The Information and Documents Requested by DRA Are Not Necessary to Address DRA's Reasonable Concerns in This Proceeding

Park maintains that the bases for its objection in its response to DRA-1 are valid. Park cannot provide information or documents that it does not have. In the Settlement Agreement between DRA and Applicants in the proceeding authorizing the acquisition of Park's stock, the parties agreed that, as a condition of approval, Park and WWH, as Park's parent, would comply with the Commission's Affiliate Transaction Rules (ATR) and did not otherwise agree to provide access to the books and records of WWH or CIP (Condition of Approval No.27 in Appendix A of the Settlement Agreement, attached as Attachment A to D.11-12-007). Park does not see that the ATRs provide DRA access to the books and records of CIP or WWH in this instance. None of the documents or information requested for CIP or WWH contains or pertains to transactions between Park and either of those companies. Specifically, none of the requested financial statements or balance sheet capital structure components amounts for CIP and WWH for 2009-

2011 contains any transactions with Park, a fact that can be confirmed from review of Park's books. This is not surprising given that the transfer of Park's stock to WWH did not close until late December of 2011, a fact of which DRA is aware (the transactions in December of 2011 effecting the transfer of the stock to WWH were transactions between WWH and Park's shareholders, not Park).

Due to the structure of these companies, explained above, and the fact that neither company has any long-term debt, that both the companies are 100% equity (to the extent that a limited partnership can be said to have a meaningful capital structure), the requested information and documents for WWH and CIP cannot reasonably be considered necessary or relevant to address DRA's concerns in this proceeding

At the PHC DRA justified its need for the requested information/documents relating to CIP and WWH by stating that it needs the information to take a proper look at the capital structure and cost of capital of Park and by referring to statements made by applicants in A.11-01-019 that the acquisition of Park's stock by WWH would enhance Park's access to capital. DRA's justifications are not well founded.

DRA's portrayal that Park's ROE request in this proceeding is inconsistent or contradictory with statements Park made to the Commission in A.11-01-019 is incorrect. There is no connection between the statement regarding enhanced access to capital and the cost of Park's equity or Park's requested ROE. A greater ability to access capital does not mean that the cost of that capital, especially the cost of equity capital, is going to be less, just that it may be more likely available rather than not. In response to the ruling of the ALJ in A.11-01-019 to address the potential impact of the transaction on the risk factors of Park, and therefore the ROE, Park told the Commission that "Park Water does not expect this transaction to have any significant effect on the risk profile of Park Water" (Applicant's Submission of Supplementary Information, page 9, filed March 11, 2011 in A.11-01-019). DRA implied at the PHC that the size of Park's ROE request, given decreased interest rates, indicated there was some concern for DRA to address. In A.09-05-003 Park decided to constrain its ROE request to 11.9% but its consultant's recommended ROE for Park was 13.0%. In this proceeding Park is requesting its consultant's recommendation of 11.95%, over 100 basis points lower than its consultant's recommended ROE in A.09-05-003. Park's ROE request is not inconsistent with the statements made to the Commission in A.11-01-019 and does not indicate any necessity to review

information or documents of CIP or WWH. Further, the idea that Park has some unlimited access to additional capital through CIP and WWH is incorrect. Other than the potential for Park, with a parent, to be more attractive to lenders, that access is limited not only by the willingness of CIP and WWH to further invest, but also by the Conditions of Approval for the acquisition of Park which state: “Any activities or actions directed at enhancing or increasing Western Water’s investment in Park Water will require Commission approval for reflection of such investment in rates.” (Condition of Approval No. 24 in Appendix A of the Settlement Agreement, attached as Attachment A to D.11-12-007)

DRA’s contention that information on Park’s parent and the upstream Infrastructure Fund providing the source of investment in Park’s stock is relevant has been addressed by the U.S. Supreme Court. In 1989, in *Duquesne Light Co. v Barasch*, the U. S. Supreme Court found that the cost of common stock was “. . . the return required to sell such stock upon reasonable terms in the market.” [488 U.S. at 310, n. 7]. The source of funds to buy shares of common stock, however, does not change the cost of equity. The owners of the utility could be individuals who bought stock on margin or bought it with 100% of their own funds, or be a partnership, a developer, a holding company or some other type of entity. The identity or structure of the owner does not change the underlying cost of equity. For companies that have no publicly-traded common stock, like Park, as well as those that do, the U. S. Supreme Court stated that the test of a fair rate of return is tied to the cost to raise new equity.

The Commission has already addressed the issue of whether the capital structure of a parent company should be considered when determining the capital structure and cost of capital of its regulated utility subsidiary. In A. 06-07-002 (for Valencia Water Company) DRA proposed an adjustment to Valencia’s capital structure due to its large parent company (D. 07-06-024, pages 16-17) and argued that Valencia, due to its parent, should not be considered a small company for purpose of assessing risk and ROE (D. 07-06-024, page 25). The Commission rejected DRA’s arguments finding that “Valencia is a small water company notwithstanding its ownership by a large real estate development company.” (Finding of Fact No. 15) and “Small water companies typically have higher costs of capital than large water companies.” (Finding of Fact No. 16) The Commission also concluded “Valencia’s capital structure for ratemaking purposes should be its actual capital structure.” (Conclusion of Law No. 2)

V. Conclusion

For all the above reasons, Park believes that it responded appropriately to DRA's data request. Following the PHC Park provided DRA-1 to its parent and requested confirmation as to which of the data requested by DRA for CIP and WWH exists, and whether there are any confidentiality concerns. Park can confirm to DRA that neither CIP nor WWH has any long-term debt, short-term debt, placement documents for debt or equity issuances, lending agreements, credit reports, corporate credit or bond ratings, or pension plans or expected return on pension plan assets. Therefore the majority of the information and/or documents requested for CIP and WWH simply do not exist. The capital structure for WWH is 100% equity. The capital structure for CIP, to the extent that a limited partnership can be said to have one, is effectively 100% equity. Accordingly, Park believes that the only documents requested which exist are the financial statements.

Nonetheless, Park is willing to work with DRA to attempt to resolve this matter expeditiously. Park still does not see any necessity for DRA to access the financial statements it has requested, but is willing to discuss this with DRA and attempt to address DRA's concerns.

Park has also contacted DRA staff to set up a meeting to discuss this matter. Park proposes that the parties, Park and DRA, be allowed to attempt to reach a mutually acceptable resolution.

Dated at Downey, California, June 18, 2012.

Respectfully submitted,

PARK WATER COMPANY

By: /s/ Leigh K. Jordan

LEIGH K. JORDAN
Executive Vice President

VERIFICATION

STATE OF CALIFORNIA) ss.
COUNTY OF LOS ANGELES)

I, Leigh K. Jordan, am Executive Vice President of the Applicant corporation herein and am authorized to make this verification on its behalf. The statements in the foregoing document are true to my own knowledge, except as to the matters which are therein stated on information and belief, and as to those matters I believe them to be true.

I declare under penalty of perjury that the above is true and correct.

Executed at Downey, California, this 18th day of June 2012.

/s/Leigh K. Jordan
LEIGH K. JORDAN
Executive Vice President



Park Water Company

May 14, 2012

Mr. Raymond Charvez
Division of Ratepayer Advocates
California Public Utilities Commission
505 Van Ness Avenue
San Francisco, CA 94102

Subject: A.12-05-001, Data Request No. DRA-1 (Cost of Capital)

Dear Mr. Charvez,

This is Park Water Company's (Park) response to DRA-1 on A.12-05-001, Joint Application of Park and Apple Valley Ranchos Water Company (AVR) for Authority to Establish a Cost of Capital for 2013-2015. Responses to the specific requests in DRA-1 are provided below subject to Park's objection to requests for data for Carlyle Infrastructure Partners LP and/or Western Water Holdings LLC.

A number of the specific requests in DRA-1 request information for Carlyle Infrastructure Partners LP, Western Water Holdings LLC, and/or Park Water Company. Park objects to DRA's requests for information regarding Carlyle Infrastructure Partners LP and/or Western Water Holdings LLC on the basis that 1) Park does not have the requested information; 2) there is no provision under the Commission's Affiliate Transaction Rules (ATR) for DRA to access information on these companies; and 3) the information requested is not relevant to this proceeding or necessary for the proper exercise of the Commission staff's duties or to address any reasonable concerns of DRA in this proceeding.

Western Water Holdings LLC (WWH) is the parent of Park, owning 100% of Park's stock. WWH is a wholly-owned subsidiary of Carlyle Infrastructure Partners Western Water L.P. (CIP Western Water), which is wholly-owned by a group of investment fund vehicles associated with Carlyle Infrastructure Partners L.P. (CIP).

Rule VIII, Regulatory Oversight, of the ATRs provides in Section VIII.B that Commission staff shall be provided "access to the relevant books and records of such entities in connection with the exercise by the Commission of its regulatory responsibilities in examining any of the costs sought to be recovered by the utility in rate proceedings or in connection with a transaction or transactions between the utility and its affiliates". In this case, however, with the exception of estimated dividends paid by Park to WWH (which reduce the forecasted equity component of the capital structure for Park), none of the costs for which recovery is being sought (the capital costs of Park) relate to any transaction between Park and its affiliates and no transactions between Park and its affiliates are relevant to Park's capital costs.

Moreover, the requested information regarding WWH and CIP cannot reasonably be necessary to address concerns in this proceeding. WWH has only been in existence for about a year and was created to hold the stock of Park. At this point, the stock of Park is the only holding of WWH. CIP is a group of investment funds which, through investment of monies provided by investors, owns interests in a number of companies in the general “infrastructure” category of which none except Park and its wholly-owned subsidiaries are regulated utilities. Neither WWH nor CIP has any long-term debt or a “capital structure” which could be meaningful in any way in this proceeding.

Pursuant to the objection above, Park’s responses to the requests in DRA-1, as the requests relate to Park, are as follows:

1. Please provide copies of all presentations made to rating agencies, banks, insurance companies, and/or investment firms by Carlyle Infrastructure Partners LP, Western Water Holdings LLC, and/or Park Water Company between January 1, 2009 and the present.

Response: See Attachments (please note last paragraph of response on attachments which are being sent Fed Ex for arrival May 15th). The only presentations made were during 2011 and 2012 as follows:

The document entitled American United is the 2011 presentation (excluding the header page this presentation is identical) made to the following entities:

1. American United & Nationwide (Insurance Companies) – A joint telephone conference was conducted for these two existing long-term debt lenders versus making special visits to Chicago (American United) and Columbus (Nationwide).
2. Pacific Life, an in-person visit was made to their office in Newport Beach, CA (40 minutes south of our office) – Existing Long Term Lender
3. Presented to Bank of America (locally) – current short term lender
4. Presented to CoBank (locally) – potential long term lender
5. Presented to City National Bank (locally) – potential short term lender

The document entitled Pacific Life 2012, is the only presentation conducted so far in 2012. A telephonic presentation is planned to be offered to American United & Nationwide but nothing has been scheduled at this time.

2. Please provide copies of all prospectuses and/or placement documents for all debt and equity security issuances/offerings or lending agreements by Carlyle Infrastructure Partners LP, Western Water Holdings LLC, and/or Park Water Company between January 1, 2008 and the present.

Response: See Attachments (see CD sent by Fed Ex).

3. Please provide copies of any credit reports for Carlyle Infrastructure Partners LP, Western Water Holdings LLC, and/or Park Water Company between January 1, 2010 and the present from major credit rating agencies (Moody's, S&P, and Fitch) or from other financial service firms.

Response: None.

4. Please provide the corporate credit and bond ratings assigned to Carlyle Infrastructure Partners LP, Western Water Holdings LLC, and Park Water Company since the year 2005 by S&P, Moody's, and Fitch. For any change in the credit and/or bond rating, please provide a copy of the associated report.

Response: None.

5. Please provide the breakdown in the expected return on pension plan assets for Carlyle Infrastructure Partners LP, Western Water Holdings LLC, and/or Park Water Company. Specifically, please provide the expected return on different assets classes (bonds, US stocks, international stocks, etc) used in determining the expected return on plan assets. Please provide all associated source documents and work papers.

Response: Approximately 99% of the Company's Pension Plan assets are invested directly in U.S. Treasury obligations. Currently, the maturities of these investments range from approximately 9 months to 19 months. The market yields range from approximately 0.25% to 4.5%. Approximately 1% of the Plan assets are maintained in a money market account to provide operating cash. The money market account is invested in U.S. Treasury obligations. Because of the nature of the Plan's assets there are no "source documents and workpapers" pertaining to the expected return.

The actuarial assumption for the Pension Plan is a long-range return on assets of 5%. While current investments yields are below the long-term return assumption this is felt to be a short-term issue. The Company's Investment Committee is monitoring constantly and may, if deemed appropriate, rebalance investments.

6. Please provide the Company's authorized and earned return on common equity for the past five years. Please provide copies of all associated work papers and source documents. Please provide copies of the source documents, work papers, and data in both hard copy and electronic (Microsoft Excel) formats, with all data and formulas intact.

Response: See Section V and Tables 5 and 6 in the Testimony of Leigh K. Jordan. See also Workpapers pages 1-24 through 1-28 and Excel file "CofC-Tables 5&6-recorded -ROR-ROE.xls" (hardcopy and files on CD sent by Fed Ex). Tables 5 and 6 show the authorized

and actual ROE for 2007-2011 for both Park (the Central Basin division of Park which is its only operating division) and AVR, all of which are generated from the referenced Excel file. Adopted numbers in the file are from Commission decisions. Actual capital structure numbers are from Park's annual consolidated financial statements previously provided to DRA. Actual debt costs are developed in the "CostDebt" tab of file "CofC2013-CostofCapital-3.xls", previously provided on CD. Actual rate base and net income amounts are from earnings test calculations and Annual reports to the Commission previously provided to DRA. The net income amounts used in the calculation are on a regulated basis and are after tax and before interest expense.

7. Please provide copies of the quarterly and annual financial statements (balance sheet, income statement, and statement of cash flows) for 2010 and 2011 for Carlyle Infrastructure Partners LP, Western Water Holdings LLC, and Park Water Company. Please provide copies of the financial statements in both hard copy and electronic (Microsoft Excel) formats, with all data and formulas intact.

Response: Attached (see CD sent by Fed Ex) are PDF files of the financial statements (balance sheet, income statement and statement of cash flows) for 2009 through 2011, which is one year more than required for question #7. For month-ended March, June and September these are internally generated statements and the excel versions are attached. The year-end statements are the audited financial statements and there is no excel version of these as they come from the auditors and they do not use excel to create the statements.

8. Please provide the following data with respect to the Company's proposed capital structure: (1) the data, work papers, and source documents, and calculations used in developing the Company's amounts of short-term debt, long-term debt, preferred stock, and common equity used in the Company's proposed capital structure; (2) provide projected monthly amounts of short-term debt, long-term debt, preferred stock, and common equity used in developing the proposed capital structure; (3) indicate why short-term debt should not be included in the Company's proposed capital structure, along with copies of all studies used to justify not using short-term debt in the proposed capital structure; (4) provide copies of all loan documents and lending agreements associated with either inter-company and/or financial institution short-term debt; (5) provide the current as well as projected cost of short-term debt, including the data, work papers, calculations, assumptions, and methodologies used in the calculations; and (6) provide the data and work papers in (1)-(5) in both hard copy and electronic (Microsoft Excel) formats, with all data and formulas intact.

Response:

- (1) See Section II of testimony of Leigh K. Jordan. Also see: 1) Workpapers pages 1-7 through 1-9; and 2) "Consolidation 2011" and "Projected Capital Structure" tabs of excel

file CofC2013-Cost of Capital-3.xls” and Excel file “CofC2013-Regulatory Accounts-12-31-11.xls” provided previously.

- (2) No monthly projections of the components of Park’s capital were used in developing the proposed capital structure; all projections used were annual projections.
 - (3) There is no short-term debt, debt with maturity of less than 1 year, included in the capital structure. The only short-term debt Park has is a credit line with Bank of America (Park’s subsidiary, Mountain Water Company (MWC), has a credit line with US Bank). The credit line with US Bank contains a requirement that the company be out of the line (maintain zero balance) for a period of 30 days during the year. Both of these credit lines are 1-year lines renewable at the option of the bank. Credit lines are appropriate for addressing seasonal cash-flow issues but are not appropriate for funding water company assets which have an average life of approximately 40 years. As far as Park is aware, neither the California Commission nor the Montana Commission has ever included short-term debt in the capital structure.
 - (4) See Attached documents (see CD sent by Fed Ex) for Park’s credit line with B of A and MWC’s credit line with US Bank. For B of A you have to go back to the 2009 agreement because the amendments and extension do not replace the actual agreement, they are just modifications to the original agreement.
 - (5) The current cost of the short-term debt is: 1) for the B of A credit line the rate is BBA Libor + 2.5% (250 bps) – this is shown in the 2009 agreement; for the MWC US Bank credit line the rate is Libor + 2.5% (Reuters Screen Libor01)- this rate is shown in the 2009 amendment. Park has not prepared any projections of the cost of short-term debt for this proceeding.
9. With respect to the Company’s capital structure, please provide the quarterly financial amounts of capital (short-term debt, long-term debt, preferred stock, and equity) for Carlyle Infrastructure Partners LP, Western Water Holdings LLC, and Park Water Company for the past three years. Please provide the data in both hard copy and electronic (Microsoft Excel) formats, with all data and formulas intact.

Response: See financial statements provided in response to Question 7. Capital structure information (short-term debt, long-term debt, preferred stock, and equity – note that Park has no preferred stock and does not agree that short-term debt, maturity less than 1 year, should be included in the capital structure) for 2009-2011 is readily attainable from the capitalization and liabilities side of the balance sheets provided. The equity is shown as Total Stockholders’ Equity (there is no preferred stock). The long-term debt is a combination of Total Long Term Debt plus (under current liabilities) Current Portion of Long-Term debt (Audit statement) or Current Maturities (internal statements). Short-term borrowings (borrowings with maturity less than 1 year from inception to maturity – like the credit line) are reflected under current liabilities. It is possible to have no current portion of long-term debt (because all bonds are bullets) and of course there may be no short term borrowings as of a certain point in time, either because of no need or during clean down period.

10. Please provide the following data with respect to the Company's proposed long-term debt cost rate: (1) all data, work papers, and source documents, and calculations used in computing the long-term cost rate; (2) all details, including calculations, amortization tables, and work sheets, related to the amounts for unamortized debt issuance balance and unamortized premium/discount and issuance expenses; and (3) all source documents, including issue amounts and dates, and copies of all issuance documents, interest rate projections, associated with projected long-term issuances used in computing the long-term debt cost rate, including (a) issuance date, (b) debt amounts, (c) copies of lending agreements and provisions, (d) copies of all documentation that indicate the pricing and interest rate on all debt placements, and (e) all information available on underwriter, underwriting spread, SEC filings, loan placement documents, presentations to or from bankers and consultants, and/or other information and source documents associated with loans and/or debt offerings; and (4) provide the data and work papers in (1) – (3), in both hard copy and electronic (Microsoft Excel) formats, with all data and formulas intact.

Response:

- (1) See Exhibit A to the Joint Application, specifically page 6 of 11; Section III of Testimony of Leigh K. Jordan; Section IV.D.2 of Testimony of Leigh K. Jordan, pages 13-15; Workpapers, pages 1-2 through 1-6; and "Cost Debt" tab of excel file "CofC2013-Cost of Capital-3.xls" previously provided on CD.
 - (2) See Workpapers, pages 1-2 through 1-3; and "Cost Debt" tab of excel file "CofC2013-Cost of Capital-3.xls" provided previously.
 - (3) See Section III and Section IV.D.2, pages 14-15 of Testimony of Leigh K. Jordan; Workpapers, pages 1-3 through 1-6; and "Cost Debt" tab of excel file "CofC2013-Cost of Capital-3.xls" provided previously.
11. Please provide the following data with respect to the Company's proposed preferred stock cost rate: (1) all data, work papers, and source documents, and calculations used in computing the preferred stock cost rate; (2) all source documents, including issue amounts and dates, and copies of all issuance documents, associated with preferred stock issues including (a) issuance date, (b) amounts, (c) copies of all documentation that indicate the pricing and yield on all issues, and (d) all information available on underwriter, underwriting spread, SEC filings, loan placement documents, presentations from investment bankers, and/or other information and source documents associated with debt offerings; and (3) provide the data and work papers in (1) – (2), in both hard copy and electronic (Microsoft Excel) formats, with all data and formulas intact.

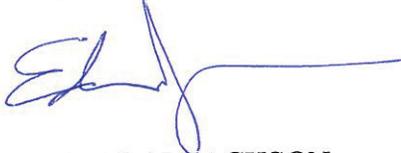
Response: Neither Park nor AVR has any preferred stock nor is there any preferred stock included in the Company's proposed capital structure.

May 14, 2012

This completes Park's response to Data Request DRA-1. The attachments to this response are voluminous and sizable such that they cannot be emailed. A copy of this response with attachments on CD has been sent Fed Ex for delivery on May 15th. Copies of the email and CD by Fed Ex are also being sent to DRA's consultant, J. Randall Woolridge.

Yours very truly,

PARK WATER COMPANY



EDWARD N. JACKSON
Director of Revenue Requirements

ENJ/emz

Attachments

cc: J.R. Woolridge