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UTILITIES COMMISSION

STATE OF IDAHO
OFFICE OF THE ATTORNEY GENERAL
LAWRENCE G. WASDEN

May 23, 2005

Parties of Record
Case No. UWI-W-04-4

RE: Settlement of the Overall Weighted Cost of Capital

Dear Parties of Record:

The Commission Staff and United Water Idaho Inc. have reached an agreement regarding the Company's cost of debt and return on equity. Although the final language of the agreement has not been prepared, the Company and Staff plan to execute and file a settlement on the Company's overall weighted cost of capital. Recognizing that different calculations were used by the parties to determine United Water's cost of debt, the Commission Staff and United Water have agreed to compromise the difference and recommend a cost of debt of 6.675%. United Water and the Commission Staff also agree that a return on equity of 10.3% is acceptable for United Water and agree to recommend that return on equity to the Commission in this case.

We will circulate a copy of the settlement as soon as it is prepared and signed by the parties. Please contact me or Donovan Walker if you have any questions.

Sincerely,

A handwritten signature in black ink, appearing to read "Weldon B. Stutzman".

Weldon B. Stutzman
Deputy Attorney General

bls/L:UWIW0404_parties_ws2

CERTIFICATE OF SERVICE

I HEREBY CERTIFY THAT I HAVE THIS 23RD DAY OF MAY 2005, SERVED THE FOREGOING **LETTER RE: SETTLEMENT OF OVERALL WEIGHTED COST OF CAPITAL**, IN CASE NO. UWI-W-04-04, BY FAXING A COPY THEREOF, TO THE FOLLOWING:

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