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IDAHO PUBLIC  
UTILITIES COMMISSION

ORIGINAL

*Attorneys for Applicant*

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE APPLICATION OF UNITED WATER IDAHO INC. FOR AUTHORITY TO (1) EXECUTE AND DELIVER TO THE IDAHO WATER RESOURCE BOARD (BOARD) A LOAN AGREEMENT WITH RESPECT TO THE PROCEEDS OF A SALE OF UP TO \$19,975,000 OF WATER RESOURCE DEVELOPMENT REVENUE BONDS, SERIES 2005, UNDER AN INDENTURE OF TRUST BETWEEN THE BOARD AND WELLS FARGO BANK NORTHWEST, N.A., AS TRUSTEE; (2) ENTER INTO AN AGREEMENT WITH THE BOARD AND ONE OR MORE UNDER-WRITERS FOR THE PURCHASE ON A NEGOTIATED BASIS OF THE SERIES 2005 BONDS; (3) ENTER INTO AN AGREEMENT FOR BOND INSURANCE; AND (4) ENTER INTO ANY AND ALL OTHER AGREEMENTS THAT WOULD BE NEGOTIATED AND REQUIRED AT A LATER DATE WITH RESPECT TO THE FOREGOING.

**Case No. UWI-W-05-02**

**APPLICATION**

**AND**

**REQUEST FOR EXPEDITIOUS  
ACTION**

COMES NOW United Water Idaho Inc., (“Applicant,” or “the Company”) and respectfully requests that the Commission issue its order granting the authorities specified in the caption hereof and in support thereof shows as follows, to wit:

Application  
Page 1

I.

Applicant is a public utility water corporation within the meaning of the Idaho Public Utility Law, is duly organized and existing under the laws of the State of Idaho and engaged in conducting a general water business in and about Boise City, Ada County, Idaho having its principal office and place of business at 8248 West Victory Road, Boise, Idaho 83707.

II.

Communications in reference to this application should be addressed to:

Michael Algranati  
Treasurer  
United Waterworks  
200 Old Hook Road  
Harrington Park, NJ 07640  
Phone: (201) 750-3413  
Fax: (201) 767-6512

Dean J. Miller  
McDevitt & Miller LLP  
420 W. Bannock St  
Boise, Idaho 83702  
(208) 343-7500  
(208) 335-6912

III.

A certified copy of Applicant's Articles of Incorporation, together with all amendments to date, is on file with the Commission.

IV.

For over 100 years, Applicant, together with its predecessors in interest, has owned and operated and now owns and operates an extensive and integrated water system in Boise City, Idaho, and in certain territory within Ada and Canyon Counties in the vicinity of, but outside the present corporate limits of said Boise City, and renders general water service within such territory and to the inhabitants thereof.

V.

Applicant's current Certificate is Amended Certificate No. 143.

VI.

As required by IPUCRP 141, following is the relevant information with respect to the proposed issuance: The securities are Idaho Water Resource Development Revenue Refunding Bonds, Series 2005 in the principal amount of \$19,975,000, to be issued on or about April 26, 2005 and which are due on April 1, 2035. The estimated coupon rate is 4.70%, which rate will be finally fixed at the time of issuance. There are provisions for optional redemption in full or in part after March 1, 2012. The principal under-writer is Edward D. Jones Company who expects to market the securities to individual investors with an under-writing commission of 3% of par.

The costs of issuance are estimated to be as follows:

|                            |                 |
|----------------------------|-----------------|
| Principal Amount Issued    | \$19,975,000.00 |
| Underwriter's Fee          | \$ 599,250.00   |
| Idaho Water Resource Board | \$ 159,278.41   |
| Bond Insurance             | \$ 234,416.61   |
| Financial Advisor          | \$ 30,000.00    |
| Bond Counsel               | \$ 40,000.00    |
| Underwriter's Counsel      | \$ 30,000.00    |
| Trustee                    | \$ 2,000.00     |
| Company Counsel            | \$ 2,000.00     |
| Rating Agencies            | \$ 16,000.00    |
| Ernst & Young              | \$ 10,000.00    |
| Printing, etc.             | \$ 25,000.00    |
| Total Costs                | \$ 1,145,945.02 |
| Net Proceeds               | \$18,827,054.98 |

VII.

The purposes for which the proceeds from the securities will be used include: to refund and prepay, in advance of their stated maturity, the outstanding principal amount of Water Resource Development Revenue Bonds, Series 1994 (Boise Water Corporation Project) (the "Prior Bonds") issued by the Board on behalf of the Applicant's predecessor, Boise Water Corporation, which Prior Bonds were used to finance the costs of certain facilities owned by the Applicant and used for the public distribution of water.

VIII.

The transaction is consistent with the public interest and is consistent with Applicant's proper performance of service as a public utility because, as illustrated by the following chart, re-financing the Prior Bonds will result in significant savings, allowing Applicant to provide service to its customers at a lower cost of capital:

|  |                  |
|--|------------------|
| <b><u>Current Issue</u></b>            |                  |
| Principal                              | \$19,975,000     |
| Rate                                   | 6.40%            |
| Unamortized Cost of Issuance           | \$925,966        |
| Final Maturity                         | 1-Oct-24         |
| Annual Interest Expense                | \$1,278,400      |
| Annual Amortization                    | \$48,735         |
| Total                                  | \$1,327,135      |
| Annual Effective Interest Rate         | 6.64%            |
| <b><u>Proposed Refunding Issue</u></b> |                  |
| Principal                              | \$19,975,000     |
| Estimated Coupon Rate                  | 4.70%            |
| Unamortized Cost of Issuance           | \$925,966        |
| Call premium                           | \$0              |
| New Issue Costs                        | \$1,232,860      |
| Final Maturity                         | 1-Oct-24         |
| Annual Interest Expense                | \$938,825        |
| Annual Amortization                    | \$107,941        |
| Total                                  | \$1,046,766      |
| Annual Effective Interest Rate         | 5.24%            |
| <b>Estimated Annual Pretax Savings</b> | <b>\$280,369</b> |

IX.

Attached hereto as Exhibit A is a financial statement showing the authorized and outstanding classes of securities.

X.

Attached hereto as Exhibit B are certified copies of resolutions authorizing the transaction.

XI.

Attached hereto as Exhibit C is a proposed order granting this Application.

XII.

Expeditious action is appropriate because the effect of this transaction is to reduce borrowing costs, to the benefit of Applicant's customers, and because in the absence of expeditious action the costs of this transaction may increase.

XIII.

A notice of this Application will be published within seven (7) days of the date hereof in the Idaho Statesman.

XIV.

All fees required to be paid by Idaho Code 61-905 have been tendered to the Commission.

XV.

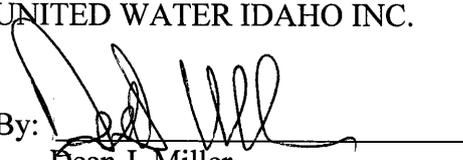
As required by IPUCRP 143, when such information becomes available, Applicant will file with the Commission a verified report showing the amount realized including the itemized costs and expenses incurred in connection with the transaction.

WHEREFORE, Applicant respectfully requests that the Commission act expeditiously upon this Application and that the Commission enter its order authorizing Applicant to:

1. Execute and deliver to the Idaho Water Resource Board a Loan Agreement with Respect to the Proceeds of sale of up to \$19,975,000 of Water Resource Development Revenue Bonds Series 2005;
2. Enter into an Agreement with the Board and one or more under-writers for the purchase on a negotiated basis of the series 2005 bonds;
3. Enter into an Agreement for Bond Insurance;
4. Enter into any and all other agreements that would be negotiated and required at a date with respect to the foregoing.

DATED this 31 day of March, 2005.

UNITED WATER IDAHO INC.

By: 

Dean J. Miller

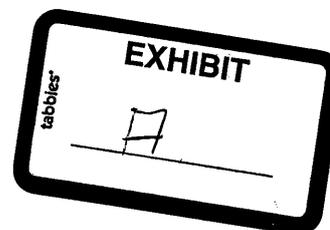
Attorney for Applicant

EXHIBIT A

**United Waterworks Inc**  
**Pro Forma Consolidated Capital Structure**  
**31-Dec-04**

| <u>Item</u>                         | <u>Amount</u>         | <u>Percentage</u> | <u>Cost</u> | <u>Weighted</u> |
|-------------------------------------|-----------------------|-------------------|-------------|-----------------|
| Long-term Debt                      | \$ 224,435,000        | 99.75%            | 6.90%       | 6.88%           |
| Minority Interest (Preferred Stock) | 554,200               | 0.25%             | 5.00%       | 0.01%           |
| Common Equity                       | -                     | 0.00%             | 11.20%      | 0.00%           |
| <b>Total</b>                        | <b>\$ 224,989,200</b> | <b>100.00%</b>    |             | <b>6.89%</b>    |

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**UNITED WATERWORKS INC.**

Extract from the Minutes of the  
Meeting of the Board of Directors  
Held March 30, 2005

The undersigned, Carla E. Hjelm, Assistant Secretary of United Waterworks Inc. hereby certifies that the following is a true and correct extract from the minutes of a special meeting of the Board of Directors held March 30, 2005, at which time a quorum was present and voting throughout:

- RESOLVED: that the Board of Directors hereby approves a refunding program by the Company calling for the issue and delivery of up to \$19,975,000 principal amount of Company indebtedness to support Idaho Water Resources Board indebtedness, such latter indebtedness to be issued and sold, through negotiated sale or otherwise for the refunding of all or part of (a) the \$19,975,000 aggregate principal amount of Water Facilities Revenue Bonds of 1994 Series bearing an interest rate of 4.65% to 5.0% and maturing in 2024; and be it further
- RESOLVED: that the officers of the Company are hereby authorized to cause the Company to secure said Authority indebtedness, by promissory notes of the Company and/or by bonds and/or insurance; and be it further
- RESOLVED: that, the order to consummate the refunding program herein approved, the officers of the Company are hereby authorized on behalf of the Company to do all acts and things, including obtaining necessary orders, approval and authorizations from public regulatory agencies having jurisdiction, and in connection therewith to retain such counsel and financial and other advisors as may be deemed necessary or desirable; and be it further
- RESOLVED: that the officers of the Company are hereby authorized on behalf of the Company to furnish such information and execute and file in the name of the Company such documents, as in the judgment of the officer or officers so acting are necessary or desirable in order to qualify or exempt the \$19,975,000 of indebtedness of the Company or said Authority for sale under the securities laws of such state as the representative of the underwriters, the placement agents for said indebtedness or the Company's financial advisors may designate; and be it further
- RESOLVED: that in order to consummate the refunding program herein approved, the officers of the Company are hereby authorized on behalf of the Company to execute any and all documents which may be necessary or desirable to consummate the refunding program herein approved, including, without limitation: (i) a Loan Agreement; (ii) a Contract for Purchase among the underwriter(s) and the Company; and (iii) any and all documents required by any bank or other institutions providing credit, liquidity or repurchase support and any third party insurer of said Authority's indebtedness; and be it further

**EXHIBIT**

tabbles

B

RESOLVED: that if management of the Company concludes that it is not in the interest of the Company to pursue the refunding authorized in the foregoing resolutions, it is understood that management will so inform the Board of Directors.

Witness my hand and seal of the Company this 30<sup>th</sup> day of March 2005.

  
Carla E. Hjelm  
Assistant Secretary

**BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION**

IN THE MATTER OF THE APPLICATION OF UNITED WATER IDAHO INC. FOR AUTHORITY TO (1) EXECUTE AND DELIVER TO THE IDAHO WATER RESOURCE BOARD (BOARD) A LOAN AGREEMENT WITH RESPECT TO THE PROCEEDS OF A SALE OF UP TO \$19,975,000 OF WATER RESOURCE DEVELOPMENT REVENUE BONDS, SERIES 2005, UNDER AN INDENTURE OF TRUST BETWEEN THE BOARD AND WELLS FARGO BANK NORTHWEST, N.A., AS TRUSTEE; (2) ENTER INTO AN AGREEMENT WITH THE BOARD AND ONE OR MORE UNDER-WRITERS FOR THE PURCHASE ON A NEGOTIATED BASIS OF THE SERIES 2005 BONDS; (3) ENTER INTO AN AGREEMENT FOR BOND INSURANCE; AND (4) ENTER IN TO ANY AND ALL OTHER AGREEMENTS THAT WOULD BE NEGOTIATED AND REQUIRED AT A LATER DATE WITH RESPECT TO THE FOREGOING.

**Case No. UWI-W-05-02**

**[PROPOSED]**

**ORDER APPROVING  
APPLICATION**

On March 31, 2005, United Water Idaho Inc., (Company) filed an Application pursuant to Chapter 9, Title 61 of the *Idaho Code* and Rule 141 of the Commission's Rules of Procedure, IDAPA 31.01.01141 for authority to participate in the issuance of up to \$19,975,000 of Water Resource Development Revenue Bonds, Series 2005.

The net proceeds of the Series 2005 bonds will be applied toward the re-financing of similar Water Resource Development Bonds, issued in 1994.

EXHIBIT C

The Commission, having considered the Application, the information in its files concerning the Company, the applicable law, and being fully advised in the premises, finds and concludes:

## FINDINGS OF FACT

### I.

United Water Idaho Inc., is a water corporation within the definition of *Idaho Code* § 61-125 and is a public utility within the definition of *Idaho Code* § 61-129.

United Waterworks Inc., is a corporation duly organized and existing pursuant to the laws of the state of Delaware. United Waterworks holds all of United Water Idaho's issued and outstanding common stock.

### II.

The Series 2005 bonds will be issued by the Board on a tax-exempt basis and will be supported by United Waterworks' promissory notes and/or payment obligations undertaken by United Waterworks pursuant to a loan agreement to be entered into with the Board. The proposed issuance of the Series 2005 bonds will be offered in conjunction with bond insurance.

### III.

The net proceeds of the Series 2005 bonds will be used to refund and prepay, in advance of their stated maturity, the outstanding principal amount of Water Resource Development Revenue Bonds, Series 1994 (Boise Water Corporation

Project) (the "Prior Bonds") issued by the Board on behalf of the Applicant's predecessor, Boise Water Corporation, which Prior Bonds were used to finance the costs of certain facilities owned by the Applicant and used for the public distribution of water.

IV.

The Series 2005 bonds will be offered to the public through an underwriter or underwriters, on a negotiated basis, at a price to be determined.

V.

The results of the issuance are expected to be as follows:

|                            |                 |
|----------------------------|-----------------|
| Principal Amount Issued    | \$19,975,000.00 |
| Underwriter's Fee          | \$ 599,250.00   |
| Idaho Water Resource Board | \$ 159,278.41   |
| Bond Insurance             | \$ 234,416.61   |
| Financial Advisor          | \$ 30,000.00    |
| Bond Counsel               | \$ 40,000.00    |
| Underwriter's Counsel      | \$ 30,000.00    |
| Trustee                    | \$ 2,000.00     |
| Company Counsel            | \$ 2,000.00     |
| Rating Agencies            | \$ 16,000.00    |
| Ernst & Young              | \$ 10,000.00    |
| Printing, etc.             | \$ 25,000.00    |
| Total Costs                | \$ 1,145,945.02 |
| Net Proceeds               | \$18,827,054.98 |

VI.

The Company has paid the fees required by *Idaho Code* § 61-905.

**CONCLUSIONS OF LAW**

I.

United Water Idaho Inc., is a water corporation within the definition of *Idaho Code* § 61-125 and is a public utility within the definition of *Idaho Code* § 61-129.

II.

The Idaho Public Utilities Commission has jurisdiction over this Application pursuant to the provisions of *Idaho Code* §§ 61-901 *et seq.* and the Application reasonably conforms to Rule 141 of the Commission's Rules of Procedure, IDAPA 31.01.01141.

III.

The method of issuance is proper.

IV.

The general purpose to which the proceeds will be put are lawful purposes under the Public Utility Laws of the state of Idaho and are compatible with the public interest. However, this general approval of the general purposes to which the proceeds will be put is neither a finding of fact nor a conclusion of law that any particular construction program of the Company which may be benefited by the approval of this Application has been considered or approved by this Order, and this Order shall not be construed to that effect.

V.

The issuance of an order authorizing the proposed financing does not constitute agency determination/approval of the type of financing or the related costs for ratemaking purposes, which determination the Commission expressly reserves until the appropriate proceeding.

VI.

The Application should be approved.

**O R D E R**

IT IS THEREFORE ORDERED that the Application of United Water Idaho Inc., for authority to (1) execute and deliver to the Idaho Water Resource Board a loan agreement with respect to the proceeds of a sale of up to \$19,975,000 of Water Resource Development Revenue Bonds, Series 2005, under an indenture of trust between the Board and Wells Fargo Bank Northwest N.A.; (2) enter into an agreement with the Board and one or more underwriters for the purchase on a negotiated basis of the Series 2005 bonds; (3) enter into an agreement for bond insurance; and (4) enter into any and all other agreements that would be negotiated and required at a later date with respect to the foregoing is hereby approved.

IT IS FURTHER ORDERED that this authorization is without prejudice to the regulatory authority of this Commission with respect to rates, service, accounts, valuation, estimates or determination of cost, or any other matter which comes before this Commission pursuant to its jurisdiction and authority as provided by law.

IT IS FURTHER ORDERED that nothing in this Order and no provisions of Chapter 9, Title 61, *Idaho Code* or any act or deed done or performed in connection with

EXHIBIT C

this Order shall be construed to obligate the state of Idaho to pay or guarantee in any manner whatsoever any security authorized, issued, assumed or guaranteed under the provisions of Chapter 9, Title 61, *Idaho Code*.

IT IS FURTHER ORDERED that United Water Idaho Inc., shall file the following documents as they become available:

- a. verified copies of any agreement entered into in connection with the borrowing pursuant to this Order;
- b. verified copies of any credit support arrangement entered into pursuant to this Order;
- c. a verified statement setting forth in reasonable detail the disposition of the proceeds of the borrowing made pursuant to this Order; and
- d. a verified statement setting forth in detail all fees and expenses to be paid in connection with the proposed issuance.

IT IS FURTHER ORDERED that issuance of this Order does not constitute acceptance of United Water Idaho Inc.,'s exhibits or other materials accompanying the Application for any purpose other than the issuance of this Order.

THIS IS A FINAL ORDER. Any person interested in this Order (or in issues finally decided by this Order) or in interlocutory Orders previously issued in this Case No. UWI-W-95-03 may petition for reconsideration within twenty-one (21) days of the service date of this Order with regard to any matter decided in this Order or in interlocutory Orders previously issued in this Case No. UWI-W-95-3. Within seven (7) days after any person has petitioned for reconsideration, any other person may cross-petition for reconsideration. See *Idaho Code* § 61-626.

EXHIBIT C

DONE BY Order of the Idaho Public Utilities Commission at Boise, Idaho

this        day of April, 2005.

PAUL KJELLANDER, PRESIDENT

MARSHA A. SMITH, COMMISSIONER

DENNIS S. HANSEN, COMMISSIONER

ATTEST:

Jean Jewell

Commission Secretary

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EXHIBIT C