

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

**IN THE MATTER OF THE APPLICATION)
OF UNITED WATER IDAHO INC. FOR) CASE NO. UWI-W-05-2
AUTHORITY TO REFINANCE THE IDAHO)
WATER RESOURCES DEVELOPMENT)
REVENUE BONDS, SERIES 1994, IN THE) ORDER NO. 29753
AMOUNT OF \$19,975,000)
_____)**

On March 31, 2005, United Water Idaho Inc. filed a request for authority to refinance the Idaho Water Resources Development Bonds, Series 1994, by issuance of up to \$19,975,000 of Water Resource Development Bonds, Series 2005, at a lower interest rate. After reviewing the Application and Staff's recommendation, the Commission in this Order approves the Company's Application as more fully discussed below.

THE APPLICATION

The Company requests 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 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 required with respect to the foregoing request.

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 coupon rate for the tax-exempt bonds is estimated at 4.7%, which 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 underwriter, Edward D. Jones Company, expects to market the securities to individual investors with an underwriting 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

According to the Application, the proceeds from the securities will be used to refund and prepay the outstanding principal amount of Water Resource Development Revenue Bonds, Series 1994, issued by the Board on behalf of United Water's predecessor, Boise Water Corporation. The Series 1994 Bonds were used to finance the costs of facilities owned by United Water and used for the public distribution of water. Refinancing of the Series 1994 Bonds will result in significant savings, allowing the Company to provide service to its customers at a lower cost of capital. The estimated annual pre-tax savings of the refinance is \$280,369.

STAFF REVIEW

Staff has reviewed the Company's Application and recommended approval of the refinancing. The outstanding balance of \$19,975,000 is currently at a stated coupon interest rate of 6.4% with a final maturity date of October 1, 2024. The Idaho Water Resources Development Revenue Refinancing Bonds, Series 2005, are estimated to be at a coupon interest rate of 4.7%. Underwriting fees will be 3% with the expected issuance costs totaling approximately \$1.2 million. The pre-tax savings on a total company basis are estimated at \$280,000. The Series 2005 Bonds allow for partial or full redemption on or after March 1, 2012. To assure that a

lower interest rate is received, Staff supports the expedited treatment of the Company's Application and recommends approval of the refinancing. Additionally, Staff recommended that United Water file all loan and underwriting agreements when finalized.

FINDINGS OF FACT AND CONCLUSIONS OF LAW

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. The Idaho Public Utilities Commission has jurisdiction over this matter pursuant to the provisions of *Idaho Code* §§ 61-901 *et seq.*

After examining the Application and Staff's comments, the Commission finds that an evidentiary hearing in this matter is not required. The Commission further finds that the proposed transaction is consistent with the public interest and United Water's proper performance of its duties as a public utility.

The Commission also finds that the general purposes to which the funds will be utilized are lawful purposes under the public utilities law and are compatible with the public interest. However, this approval of the general purposes to which the funds will be put to use is neither a finding of fact nor a conclusion of law that any particular project, program, or future cost recovery is authorized. Approval in this Order shall not be construed to approve any particular use of the funds which United Water may benefit by the approval in this Order.

The Commission further finds that the issuance of this Order authorizing the proposed financing does not constitute agency determination/approval of the type of financing or the related costs for ratemaking purposes. The Commission expressly reserves the ratemaking implication from these loans until an appropriate future proceeding.

United Water has paid the fee required by *Idaho Code* § 61-905.

ORDER

IT IS HEREBY ORDERED that the Application of United Water Idaho Inc., for authority to: (1) execute and deliver to 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 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 (provided all agreements are filed with the Commission) is hereby approved.

IT IS FURTHER ORDERED that United Water Idaho Inc., shall file with the Commission all loan, underwriting, and bonding agreements associated with this transaction including but not limited to: (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 this authorization is without prejudice to the regulatory authority of this Commission with respect to rates, services, accounts, evaluations, estimates, or determination of costs, or any other matter that may come before this Commission pursuant to its jurisdiction and authority as provided by law.

IT IS FURTHER ORDERED that nothing in this Order and no provision of Idaho Code Title 61, Chapter 9, or any act or deed done or performed in connection with this Order shall be construed to obligate the State of Idaho to pay or guarantee in any manner whatsoever any funds authorized by the Commission.

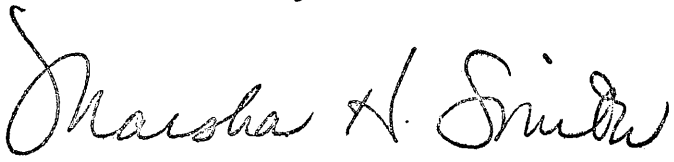
IT IS FURTHER ORDERED that issuance of this Order does not constitute acceptance of United Water's exhibits or other material accompanying the Application for any purpose other than issuance of this Order.

THIS IS A FINAL ORDER. Any person interested in this Order 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. Within seven (7) days after any person has petitioned for reconsideration, any other person may cross-petition for reconsideration. *See Idaho Code § 61-626.*

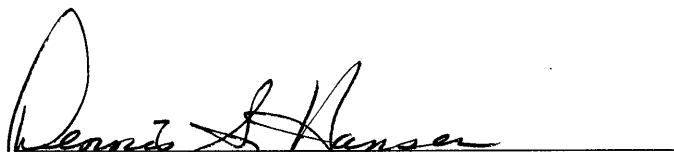
DONE by Order of the Idaho Public Utilities Commission at Boise, Idaho this 8th
day of April 2005.



PAUL KJELLANDER, PRESIDENT

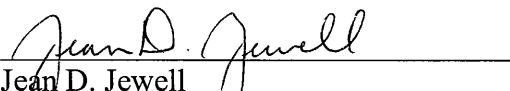


MARSHA H. SMITH, COMMISSIONER



DENNIS S. HANSEN, COMMISSIONER

ATTEST:



Jean D. Jewell
Commission Secretary

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