DECISION MEMORANDUM

TO:COMMISSIONER NELSON

COMMISSIONER SMITH

COMMISSIONER HANSEN

MYRNA WALTERS

DON HOWELL

STEPHANIE MILLER

DAVE SCHUNKE

SUSAN HAMLIN

GARY RICHARDSON

TONYA CLARK

BEV BARKER

WORKING FILE

FROM:TERRI CARLOCK

DATE:DECEMBER 11, 1996

RE:UNITED WATER IDAHO, INC. APPLICATION FOR AUTHORITY TO ISSUE ADDITIONAL SHARES OF COMMON STOCK;

CASE NO.  UWI-W-96-7

RECOMMENDATION:  APPROVAL

United Water Idaho, Inc. (UWI) requests authority to issue 10,235 shares of common stock at a par value of $50.  Currently 15,000 shares of the authorized 50,000 shares of common stock are issued and outstanding.  United Waterworks, Inc. holds all of the outstanding common shares.  United Waterworks also owns 17% (1,367 of 8,017 shares) of the outstanding 5% preferred stock at a $100 par value.  The common and preferred shares of UWI have equal voting rights.

The proceeds from the common stock issue of $509,497 ($511,730 less expenses of issue) will be applied toward financing the purchase and installation of facilities and development of new sources of water supply within the Idaho service territory.  Usually United Waterworks provides equity infusions and United Water Idaho retains funds as paid in capital and retained earnings.  The intent of issuing additional shares of common stock is to increase the voting control of United Water Idaho by United Waterworks to 80%.  The increased voting control, as explained by UWI, will permit the filing of a single consolidated Federal Income Tax return rather than two consolidated returns thereby reducing compliance, administrative and filing costs.

The common stock proceeds will increase the capital structure component of common equity at United Water Idaho by 0.01% as of October 31, 1996.  The purchase of the shares will increase the total investment in subsidiaries from United Waterworks by 0.13%.

STAFF RECOMMENDATION

Staff recommends approval.

COMMISSION DECISION

Should United Water Idaho, Inc.  be  authorized to issue 10, 235 shares of common stock to United Waterworks, Inc.?

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