DECISION MEMORANDUM

TO:COMMISSIONER HANSEN

COMMISSIONER NELSON

COMMISSIONER SMITH

MYRNA WALTERS

STEPHANIE MILLER

DAVID SCHUNKE

DON HOWELL

SUSAN HAMLIN

BEVERLY BARKER

DAVID SCOTT

TONYA CLARK

WORKING FILE

FROM:TERRI CARLOCK

DATE:JUNE 20, 1997

SUBJECT:UNITED WATER OF IDAHO AUTHORITY TO EXECUTE LOAN AGREEMENT UP TO $20 MILLION OF WATER RESOURCE DEVELOPMENT REVENUE BONDS, SERIES 1997

CASE NO. UWI-W-97-2.

RECOMMEND:APPROVAL

United Water Idaho Inc. (UWI) requests authority to execute and participate in the issuance of up to $20 million of Water Resource Development Revenue Bonds, Series 1997 (Series 1997 bonds) during the third quarter of 1997.  The Series 1997 bonds will carry a fixed interest rate currently estimated to be approximately 5.6%.  The Series 1997 bonds will have a final maturity not to exceed thirty-one years and will have negotiated redemption provisions including a sinking fund provision.

The Series 1997 bonds will be offered to the public through underwriter(s) on a negotiated basis.  The Series 1997 bonds will be issued by the Idaho Water Resource Board on a tax-exempt basis and will be supported by a United Waterworks promissory note and/or payment obligations entered between the Idaho Water Resources Board and United Waterworks.  The Series 1997 bonds will be offered in conjunction with bond insurance which should allow more favorable interest rates and a lower all-in cost of issuance.  I recommend UWI file documentation showing the all-in cost of the issue is less with the bond insurance before UWI may include these costs in the cost of debt.

Proceeds from issuance will be utilized for the purchase and installation of certain facilities and the development of new sources within the UWI service territory.  Exhibit A attached lists the estimated capital improvements for mains, meters and source.  The issuance expenses are estimated to be $1,354,000) as shown on attached Exhibit B.

UWI will file the following documents with the Commission:

A.The Purchase Agreement among United Waterworks, UWI, the Underwriter(s) and the Idaho Water Resource Board;

B.The Indenture of Trust between the Board an First Security Bank of Idaho;

C.Loan Agreement(s) among United Waterworks, UWI, and the Board;

D.The Official Statement; and

E.The Agreement of Insurance.

When the Agreement of Insurance is filed documentation showing the lower costs should also be filed.

STAFF RECOMMENDATION

I recommend approval of the $20 Million of Idaho Water Resources Revenue Bonds, Series 1997.  I also recommend the above documents be provides to Staff including the documentation showing that the all-in cost of financing is lower with the insurance than would be incurred with alternative issues.

COMMISSION DECISION

Should authority to execute not more than $20 Million in Idaho Water Resource Bonds, Series 1997 be approved?

Should UWI be required to document the lower all-in cost of issuance prior to the cost of the insurance being included in the cost of debt?

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Terri Carlock

TC:securities\uwiw972.697