

CASE: UW 171  
WITNESS: MALIA BROCK

**PUBLIC UTILITY COMMISSION  
OF  
OREGON**

**STAFF EXHIBIT 100**

**Testimony in Support of the Stipulation**

**October 16, 2017**

1 **Q. Please state your name, occupation, and business address.**

2 A. My name is Malia Brock. I am a Senior Utility Analyst employed in the  
3 Telecommunications and Water Division of the Oregon Public Utility  
4 Commission (OPUC or Commission). My business address is 201 High Street  
5 SE, Suite 100, Salem, Oregon 97301.

6 **Q. Please describe your educational background and work experience.**

7 A. My Witness Qualification Statement is found at Exhibit Staff/101.

8 **Q. What is the purpose of your testimony?**

9 A. The purpose of my testimony is to describe and support the stipulation reached  
10 in Docket No. UW 171 (Stipulation), Avion Water Company Inc.'s (Avion or  
11 Company) request for a general rate revision.

12 **Q. Who is testifying in this docket?**

13 A. I am testifying as the staff witness in Docket No. UW 171.

14 **Q. Who are the parties in Docket No. UW 171?**

15 A. The parties in Docket No. UW 171 are Avion and Commission Staff (Staff).  
16 There are no intervenors in this docket.

17 **Q. Did the parties reach a settlement in Docket No. UW 171?**

18 A. Yes. The Stipulation entered into by Avion and Staff (the Stipulating Parties)  
19 settles all issues in this docket.

1 **Q. Did you prepare exhibits for this docket?**

2 A. Yes. I prepared Exhibit Staff/101, consisting of two pages; Exhibit Staff/102,  
3 consisting of two pages; Exhibit Staff/103, consisting of 12 pages; Exhibit  
4 Staff/104, consisting of 18 pages; Exhibit Staff/105 consisting of four pages;  
5 and Exhibit Staff/106 consisting of 46 pages.

6 **Q. How is your testimony organized?**

7 A. My testimony is organized as follows:

8	Issue 1.	Summary Recommendation.....	2
9	Issue 2.	Avion Background and Regulatory History.....	3
10	Issue 3.	Summary of Avion's General Rate Filing.....	4
11	Issue 4.	Staff Analysis of the Revenue Requirement.....	5
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14	Issue 7.	Rate Spread, Rate Design.....	27
15	Exhibit 101	Witness Qualification Statement.....	Brock/1-2
16	Exhibit 102	Revenue Requirement/Adjustment Summary.....	Brock/1-2
17	Exhibit 103	Plant.....	Brock/1-12
18	Exhibit 104	Avion's 2016 Annual Report.....	Brock/1-18
19	Exhibit 105	DR 115 Health Care.....	Brock/1-4
	Exhibit 106	DR 116 Juniper Purchase Agreement.....	Brock/1-46

20 **Issue 1. Summary Recommendation**

21 **Q. Please summarize the Stipulating Parties' recommendation.**

22 A. The Stipulating Parties recommend the Commission adopt in its entirety the  
23 Stipulation in Docket No. UW 171. The Stipulation allows for a 7.46 percent  
24 increase in revenue requirement above the test year revenues of \$8,326,298,  
25 resulting in an annual revenue requirement of \$8,947,064. The Company has  
26 the opportunity to earn a 7.03 percent rate of return on a rate base of  
27 \$19,369,133.

1           The Stipulating Parties recognize that the agreement reached reflects a  
2           compromise of positions and is not to be taken as foreclosing future positions  
3           or arguments with regard to these adjustments.

4                           **Issue 2. Avion Background and Regulatory History**

5           **Q. Please describe Avion Water Company, Inc.**

6           A. Avion is a rate and service-regulated investor-owned water utility located in  
7           Bend, Oregon. The Company is organized as an S-Corporation and serves  
8           approximately 12,820 domestic customers, 138 fire customers, 791 regular  
9           irrigation customers, and 180 Nottingham irrigation customer equivalents.

10           **Q. Please provide a summary of Avion's regulatory history.**

11           A. Avion's last rate case, UW 154, was filed on May 9, 2013. Following Staff's  
12           investigation, the Commission approved a 7.1 percent increase in revenues  
13           and the opportunity to earn a 7.01 percent rate of return on a rate base of  
14           \$15,659,807, resulting in annual revenues of \$7,569,815.<sup>1</sup>

15                        Avion also filed an application on July 18, 2013, to approve loan  
16           financing of \$8,000,000<sup>2</sup> in UF 4281, which was approved with conditions by  
17           the Commission on August 6, 2013.

18                        More recently, Avion filed ADV 505 on January 30, 2017, seeking  
19           Commission approval of a Nottingham Irrigation Schedule (Schedule No. 13) to  
20           provide irrigation service to new customers acquired from its purchase of the  
21           Juniper Utility System (Juniper) from the City of Bend. ADV 505 was later

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<sup>1</sup> *In re Avion Water Company, Inc.*, OPUC Docket No. UW 154, Order No. 14-036 (January 30, 2014).

<sup>2</sup> *In re Avion Water Company, Inc.*, OPUC Docket No. UF 4281, Order No. 13-288 (August 6, 2013).

1 converted to Docket No. UW 170, and the Commission approved the proposed  
2 Nottingham Irrigation Tariff (Schedule No. 13)<sup>3</sup> on March 10, 2017. The  
3 Company's purchase of Juniper is discussed in further detail later in this  
4 testimony.

5 **Issue 3. Summary of Avion's General Rate Filing**

6 **Q. Please describe Avion's general rate case application.**

7 A. The Company filed its request for a general rate revision on May 1, 2017,  
8 requesting an increase in annual revenues of \$1,067,492 over the 2016 test  
9 year revenues of \$8,326,298, resulting in an annual revenue requirement of  
10 \$9,393,790, and an overall increase of 12.82 percent. The Company's  
11 application proposal would produce a 7.29 percent rate of return on a rate base  
12 of \$20,312,604. After Staff included 2016 depreciation that was not previously  
13 included in Avion's rate model and Application, Staff found the adjusted rate  
14 base of \$19,429,504 would produce an adjusted Rate of Return of 7.63  
15 percent. These corrections are reflected in Exhibit Staff/102, Brock/1.

16 **Q. Please explain why the Company is requesting a general rate increase.**

17 A. Avion historically has filed rate cases every few years; the last rates approved  
18 by the Commission in UW 154 went into effect February 1, 2014. However,  
19 since that rate case was filed, the Commission approved a financing  
20 application in UF 4281 requiring that certain conditions be met. Condition 4  
21 required Avion to file a new rate case by April 1, 2017. Avion requested that  
22 the Commission extend the April 1, 2017, filing deadline to May 1, 2017, which

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<sup>3</sup> *In re Avion Water Company, Inc.*, OPUC Docket No. UW 170, Order No. 17-086 (March 10, 2017).

1 the Commission approved.<sup>4</sup> Avion filed this rate case application on  
2 May 1, 2017.

3 Besides the Commission order requiring a rate case filing, additional  
4 drivers for the rate increase include increases in operating costs since UW 154,  
5 the hiring of an additional engineer, the change in status of a part-time  
6 temporary position to full-time permanent, and capital investments made to the  
7 system.

#### 8 **Issue 4. Staff's Analysis of Revenue Requirement**

9 **Q. Please describe Staff's investigation into Avion's request for a general**  
10 **rate increase.**

11 A. Staff's investigation and analysis of Avion's general rate case filing included a  
12 comprehensive examination of the Company's revenues, expenses, proposed  
13 adjustments, capital improvements, system capacity, the Juniper acquisition,  
14 utility plant, accumulated depreciation and expense, Avion's Master Plan,  
15 quality of service, consumer complaints, and Avion's internal accounting  
16 records. Further, Staff reviewed rate base, rate design, the cost of capital,  
17 examined historical dockets relating to affiliated interest (AI) agreements,  
18 Avion's loan guarantee fee, loan application approvals, and the past two rate  
19 case proceedings. Staff issued over one hundred data requests to the  
20 Company and reviewed Avion's replies throughout the investigation. Staff  
21 appreciates the Company's continual cooperation and responsiveness in this  
22 rate case.

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<sup>4</sup> *In re Avion Water Company, Inc.*, OPUC Docket No. UF 4281, Order 17-125 (March 30, 2017)

1 **Q. What test year period did the Company use in its filing?**

2 A. The Company used the test year period of January 1, 2016 through  
3 December 31, 2016.

4 **Q. Please describe why a test year is necessary.**

5 A. The Commission is charged with setting rates at a level which will allow the  
6 utility adequate revenue for operating expenses and capital costs, with an  
7 opportunity to earn its authorized rate of return during the period the rates will  
8 be in effect. Therefore, Staff's recommendation for rates must estimate both  
9 the costs and revenues that will be in effect during the future period to  
10 determine an appropriate revenue requirement for the utility. To accomplish  
11 this, a test year must be utilized as a basis for establishing rates.

12 A historic test year typically involves the use of the past 12-month period  
13 with adjustments for items that are one-time events and those that are known  
14 and measurable in the future. By contrast, a future test year is used for the  
15 12-month period that begins after the rate case is filed, and uses utility  
16 forecasting and budgeting to derive forward-looking revenues and expenses  
17 over a future 12-month period. In Oregon, water utilities have typically chosen  
18 to use a historic test year in Commission rate case proceedings, as Avion has  
19 done in this case.

20 **Q. Please describe the adjustments Staff believes are generally appropriate**  
21 **when a historic test year is used.**

22 A. Staff generally believes it is appropriate to move items forward to reflect both  
23 the costs and revenues that will be in place during the rate period, provided

1 those adjustments reflect changes that both 1) have either happened since the  
2 test year or will happen and 2) are subject to reasonable approximation  
3 (collectively, 1 and 2 are referred to as known and measurable). Staff also  
4 believes it is appropriate to remove costs associated with items that occurred  
5 during the historic period but are not likely to reoccur during the rate period  
6 (non-recurring items).

7 **Q. Are there issues that make the use of a historic test year more difficult in**  
8 **this case?**

9 A. Yes. Because Avion filed a historic (2016) test year, rather than future test  
10 year, neither Avion nor Staff estimated forward-looking revenues in this case.  
11 Consistent with the historical test year approach, revenues, with the exception  
12 of those related to the Juniper acquisition which I describe later, also reflect  
13 2016 actual information. Although a number of Avion's responses to Staff data  
14 requests cited growth as a reason for incurring certain expenditures, Avion did  
15 not include an estimate of its revenue growth in its case.

16 Although Avion did not include forecasted revenues in its application, it  
17 did include a significant number of forecasted cost increases which would more  
18 typically be found in a future, non-historic test year. For example, Avion  
19 applied a 2 percent Consumer Price Index (CPI) escalation to all expense  
20 accounts other than Depreciation Expense. This approach, in Staff's view, did  
21 not comport with the matching of revenues and costs in this case.

22 **Q. Please explain why it is important to appropriately match revenues and**  
23 **costs in establishing rates.**



1 A. Looking at both revenues and costs over the same period is necessary to  
2 appropriately match the revenues and the costs which will be experienced by  
3 the Company during the rate effective period. This matching is necessary to  
4 develop accurate rates. Without appropriate matching, rates may either be too  
5 low to allow the utility to recover its costs or too high and negatively impact  
6 customers. For example, it would be improper to reach forward to include a  
7 comprehensive estimate of increased costs without also reaching forward to  
8 include the impact of revenues which the company may realize during that  
9 same period, and which may actually serve to offset those increased costs.

10 **Q. How did Staff accomplish an appropriate matching of costs and revenues**  
11 **in this case?**

12 A. Staff matched revenues and costs by limiting the forward looking cost increases  
13 expected during the rate effective period to those which Staff believes are  
14 substantial and known and measureable. For example, Staff advocated  
15 against an across the board CPI increase and limited the adjustments Avion  
16 proposed to 2016 actual expenses to 1) the increased cost related to health  
17 care benefits Avion demonstrated it will be incurring and 2) the costs  
18 associated with the Juniper purchase which occurred in April of 2017. I will  
19 address Staff's adjustment to health care benefits and to the Juniper purchase  
20 later in my testimony. Staff did not estimate increased revenue from customer  
21 growth or usage. Staff believes that, in combination, these adjustments  
22 reached by the Stipulating Parties result in an appropriate matching of costs  
23 and revenues in this case.

1 **Q. Did Staff recommend adjustments to Avion's 2016 test year expenses as**  
2 **proposed by Avion in its application?**

3 A. Yes. Staff examined expenses for reasonableness in accordance with the  
4 Commission's statutes and rules that apply to rate-regulated water companies.  
5 Staff adjusted a number of accounts by removing Avion's proposed  
6 adjustments to the 2016 test year expenses, or averaging 2016 test year  
7 expenses over a three-year period to better reflect actual costs and eliminate  
8 anomalous expenses.

9 In its rate increase application, Avion requested a 2 percent inflation  
10 adjustment across all of its operating expenses, and a 3 percent inflation  
11 adjustment for property taxes. Staff recommended removing all of the  
12 proposed inflation-related increases for two reasons. First, these proposed  
13 adjustments do not meet the known and measurable requirement articulated  
14 earlier in my testimony. Second, the inclusion of these expenses would not  
15 result in an appropriate matching of costs and revenues in this case.

16 Unless the expense accounts had other adjustments, Staff's downward  
17 CPI inflation adjustments are not detailed below, but can be reviewed in Exhibit  
18 Staff/102, Brock/2.

19 **Q. Please provide a summary explanation of all adjustments agreed to by**  
20 **the Stipulating Parties.**

21 A. A summary of all of the adjustments made to the Revenue Requirement can be  
22 found in Exhibit Staff/102, Brock/1. Below is a summary explanation of the

1 primary adjustments to the Revenue Requirement that were agreed upon by  
2 the Stipulating Parties and are outlined in the Stipulation.

3 **Q. Please provide a brief explanation of adjustments to Avion's Revenues**  
4 **agreed to by the Stipulating Parties.**

5 A. The Stipulating Parties agreed to the following adjustments to Avion's  
6 Revenues:

7 **Irrigation Water Sales**

8 Avion's Application included all domestic water customers acquired in the  
9 Juniper acquisition, but failed to include both revenues and expenses for the  
10 Nottingham irrigation-only water customers, who are currently served under  
11 Irrigation Tariff Schedule No. 13. In order to account for both the costs and  
12 revenues that will be in effect during the rate effective period, the parties  
13 agreed to an increase of \$78,991 to this account to include projected revenues  
14 from the Nottingham irrigation customers.

15 **Cross Control Revenue Account**

16 Avion's Application failed to include the increase in revenues for the newly  
17 acquired Juniper customer's contribution to Cross Control Revenues. The  
18 parties agreed to an increase of \$6,123 to reflect the projected revenues.

19 **Q. Please provide a brief explanation of Operating Expense adjustments**  
20 **agreed to by the Stipulating Parties.**

21 A. The Stipulating Parties agreed to the following adjustments to Operating  
22 Expenses:

1           **Employee Salary and Wages**

2           In its Application, Avion proposed a \$29,191 CPI increase to employee wages  
3           and included \$29,500 in employee bonuses. Based on wage information for  
4           comparable positions in the 2016 American Water Works Association (AWWA)  
5           Compensation, Staff determined Avion's employee wages were already at the  
6           upper salary ranges of medium-sized water and wastewater utilities.

7           The parties agreed to remove the capitalized labor and burden costs of  
8           \$165,613 that were included in the salary and wages account because  
9           capitalized labor and burden costs are reflected in the Company's utility plant-  
10          in-service and should not be double-counted in wage expense. For the  
11          reasons I discussed earlier, the parties agreed to remove the proposed CPI  
12          inflation increase for wages.

13          Finally, the parties agreed to decrease employee bonuses by \$14,750 to  
14          reflect Commission precedent of allowing 50 percent of employee merit-based  
15          bonuses if evidence is provided by the utility supporting that the bonus reflects  
16          benefits to customers through lower costs of service going forward. Avion  
17          demonstrated that its merit raises to employees save customers money and  
18          result in long-term employee retention, which has produced substantial  
19          institutional knowledge and a high-level of expertise used to quickly resolve  
20          issues and/or repairs related to Avion's water plant. Further, Avion's plant has  
21          an added level of complexity as it is comprised of various and different types of  
22          water plant requiring skilled training and historical knowledge of the system  
23          given that the original design and selection of plant was made by other water

1 companies that have since been purchased by Avion. The adjustments  
2 resulted in a decrease of \$209,454.

3 **Officer Salary and Wages**

4 Staff compared Avion's officer salary and wage compensation to the 2016  
5 AWWA Compensation Survey for medium-sized water and wastewater  
6 utilities. Staff's comparison found officer wages are within the upper salary  
7 ranges for comparable position descriptions. The Commission historically  
8 denies officer bonuses as they are typically as based on Company earnings.  
9 The parties agreed to an adjustment to remove the officer bonuses of \$6,000  
10 and the \$9,303 proposed CPI increase. Staff carefully scrutinized Avion's AI  
11 agreements involving officer and director salaries and proposed no further  
12 adjustments. The adjustments resulted in a decrease of \$15,303.

13 **Employee Pension and Benefits**

14 Numerous adjustments were made to this expense item. The parties agreed to  
15 adjustments to remove Avion's proposed CPI adjustments of \$3,849 and \$537,  
16 as well as other adjustments to remove items such as parties for employees  
17 totaling \$18,933; incorrectly recorded payroll draws of \$1,500 and \$1,100;  
18 Thanksgiving turkeys purchased for employees at \$1,283; and \$3,700 in  
19 unsubstantiated moving expenses.

20 The Stipulating Parties agreed to an upward adjustment of \$75,000<sup>5</sup> for  
21 a substantial known and measurable increase in employee medical costs.  
22 Avion received the forward-looking information from its health care provider

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<sup>5</sup> See exhibit Staff/105, Brock/1-2 (Avion's response to Staff Data Request 115).

1 indicating expected combined group health and dental insurance premium  
2 increases of between \$62,224 and \$89,857. The adjustment of \$75,000 is  
3 slightly less than the average of those two figures. All adjustments resulted in  
4 an increase of \$44,098.

5 **Purchased Water**

6 The parties agreed to include expenses of \$6,933 for the Nottingham irrigation  
7 assessment not included in Avion's Application. This adjustment adds the  
8 expenses associated with the parties' earlier adjustment to include the  
9 corresponding irrigation revenues. Removal of Avion's proposed CPI  
10 adjustment resulted in decrease of \$5,347, for a combined increase of \$1,586.

11 **Purchased Power**

12 The parties agreed to include the \$64,800 expense in this account for the  
13 Roats Wheeling Fee not included in Avion's Application. This adjustment adds  
14 expenses associated with the parties' earlier adjustment to include the  
15 corresponding irrigation revenues. Removal of Avion's proposed CPI  
16 adjustment resulted in a decrease of \$17,968, for a combined increase of  
17 \$46,832.

18 **Contract Services-Accounting**

19 Due to the variability in accounting expenses over the three year period for the  
20 years 2014, 2015, and 2016, the parties agreed to a three-year average of the  
21 expenses resulting in decrease of \$3,489 to this account. Removal of the  
22 proposed CPI adjustment resulted in an additional decrease of \$302, for a  
23 combined decrease of \$3,791.

1           **Contract Services-Legal**

2           Due to the variability in legal expenses over the three-year period for the years  
3           2014, 2015, and 2016, the parties agreed to apply a three year average of the  
4           expenses resulting in a decrease of \$663. Removal of Avion's proposed CPI  
5           adjustment resulted in an additional decrease of \$453 for a combined decrease  
6           of \$1,116.

7           **Contract Services-Testing**

8           Due to Oregon Drinking Water Services' testing requirements for different  
9           water tests to be performed each year that vary in cost, Staff considers test  
10          expenses to be most accurately reflected when normalized as an average.  
11          The parties agreed to apply a three-year average (2014, 2015, and 2016) to  
12          the water testing expense resulting in a decrease of \$4,227. Removal of  
13          Avion's proposed CPI adjustment resulted in an additional decrease of \$945,  
14          for a combined decrease of \$5,172.

15          **Computer-Electronic Expense**

16          Again, due to the variability in computer expenses over the three-year period  
17          for the years 2014, 2015, and 2016, the parties agreed to apply a three-year  
18          average of the expenses resulting in a decrease of \$3,121. Removal of  
19          Avion's proposed CPI adjustment resulted in an additional decrease of \$612,  
20          for a combined decrease of \$3,733.

21          **Bad Debt Expense**

22          Similarly, due to the variability in bad debt expenses over the three-year period  
23          for the years 2014, 2015, and 2016, the parties agreed to apply a three-year

1 average of the expenses resulting in a decrease of \$3,069. Removal of  
2 Avion's proposed CPI adjustment resulted in an additional decrease of \$473 for  
3 a combined decrease of \$3,542.

4 **Q. Please provide a brief explanation of Other Revenue Deduction**  
5 **adjustments agreed to by the Stipulating Parties.**

6 A. The Stipulation Parties agreed to the following adjustments to Other Revenue  
7 Deductions:

8 **Depreciation Expense**

9 **Q. Please describe the adjustment you made to the Company's depreciation**  
10 **expense.**

11 A. Depreciation expense was recalculated to appropriately include calendar year  
12 2016 depreciation, resulting in a decrease in depreciation expense of \$27,405.  
13 The parties agreed to three adjustments to the Company's Depreciation  
14 Expense. Those adjustments result in a total adjustment to depreciation  
15 expense of \$29,615.

16 First, the parties agreed to adjust Depreciation Expense to reflect  
17 calendar year 2016 expense consistent with Avion's 2016 historical test year  
18 (test year adjustment). That adjustment resulted in a \$27,405 reduction to  
19 Depreciation Expense.

20 Second, the parties agreed to remove the Nixon Well #2 because the  
21 well is not part of the Juniper purchase and has an uncertain completion date.  
22 This reduced the depreciation expense by another \$3,320. However, the  
23 inclusion of the final costs of the Juniper 15<sup>th</sup> Street Intertie (required to bring



1 Juniper onto Avion's system) increased depreciation expense by \$904, and  
 2 inclusion of the China Hat Booster Station (also required to integrate Juniper)  
 3 increased depreciation expense by \$206.

4 Third, the parties agreed to include the Depreciation Expense related to  
 5 the Juniper purchase to reflect the final interconnection costs of the purchase.  
 6 The Company's application reflected estimated interconnection costs associated  
 7 with the Juniper purchase. However, including the final costs for the Juniper  
 8 purchase added \$206 in Depreciation Expense related to the China Hat Booster  
 9 Pump and \$904 related to the 15<sup>th</sup> Street Intertie.

10 Therefore, the total adjustments to depreciation expense reduced this account  
 11 by \$29,616, resulting in an adjusted 2016 depreciation expense total of  
 12 \$681,222.

13 The parties' agreement regarding Avion's Depreciation Expense is  
 14 summarized below:

15	Depreciation Expense -- As Filed	\$710,837
16	Test Year Adjustment	(27,405)
17	Remove Nixon Well	(3,320)
18	True-up China Hat cost	206
19	True-up 15 <sup>th</sup> Street Intertie	904
20	Depreciation Expense – As Adjusted	<u>\$681,222</u>

21 **Property Tax**

22 Avion requested a 3 percent CPI increase for property taxes of \$15,465 and  
 23 another \$7,178 increase to cover the property taxes for the new Juniper  
 24 assets. The parties agreed to remove Avion's proposed CPI adjustment which  
 25 resulted in a combined decrease of \$8,287.

1        **Payroll Tax**

2        Avion requested a 2 percent CPI increase of \$3,291 and an additional increase  
3        of \$4,282 for a new engineering position it recently added. Staff reviewed the  
4        addition of the engineering position and supports its inclusion in rates. Thus,  
5        the parties agreed to remove Avion's proposed CPI adjustment resulting in a  
6        decrease of \$3,291.

7        **Q. Did staff analyze Avion's plant schedule and depreciation expense?**

8        A. Yes. Review of Plant and Depreciation Expense was part of Staff's  
9        comprehensive examination of the Company's case. Staff examined the plant  
10       schedules provided by the Company and issued numerous data requests  
11       regarding additions made since the Company's last case (UW 154), including  
12       the Juniper acquisition.

13       **Q. Please provide a brief explanation of the Utility Rate Base adjustments  
14       agreed to by the Stipulating Parties.**

15       A. The Stipulation Parties agreed to the following adjustments to Rate Base  
16       Items:

17       **Utility Plant in Service**

18       **Q. Please describe the adjustments made to Avion's plant.**

19       A. The parties agreed to three adjustments to Avion's plant. Those adjustments  
20       total \$27,061.

21                First, the parties agreed to remove the \$83,000 cost of the proposed  
22       Nixon Well #2 that was scheduled to be completed in June of 2017. The well  
23       construction has been postponed with an uncertain completion date.

1 ORS 757.355 precludes including in rates the costs of projects or plant not  
2 presently used to provide service to its customers.

3 Second, the parties agreed to add plant costs related to the Juniper  
4 purchase to reflect the final purchase costs, including estimated interconnection  
5 costs associated with the Juniper purchase. The final costs for the Juniper  
6 purchase interconnection added \$10,278 related to the China Hat Booster  
7 Pump and another \$45,180 for the 15<sup>th</sup> Street Intertie. The 15<sup>th</sup> Street intertie  
8 connects the existing Juniper water customers to Avion's system; the China Hat  
9 booster station installed a water pump necessary to maintain adequate water  
10 pressure across the expanded system once the Juniper water customers were  
11 added. Therefore, the total cost to add Juniper customers to Avion's water  
12 system was \$160,215; the additional \$104,757 is discussed further in  
13 testimony.

14 Third, the parties agree to add \$481 to gross plant as a correction to the  
15 Company's Contributions in Aid of Construction (CIAC) plant.

16 The parties' agreement regarding Avion's Plant is summarized below:

17 **Gross Plant**

18	Gross Plant – As Filed	\$53,031,537
19	Removal of Nixon Well	(83,000)
20	True-up China Hat cost	10,278
21	True-up 15 <sup>th</sup> Street Intertie	45,180
22	CIAC correction	481
23	Gross Plant – As Adjusted	<u>\$53,004,476</u>

24 **Accumulated Depreciation of Plant**

25 **Q. Please describe the adjustments made to the Company's Accumulated**  
26 **Depreciation of Plant.**

1 A. The parties agreed to two adjustments to the Company's Accumulated  
2 Depreciation of Plant. Those adjustments total \$258,129.

3 First, the parties increased the Accumulated Amortization of CIAC by  
4 \$242,511 to correct errors in Avion's plant model, primarily the exclusion of one  
5 year of CIAC amortization. That adjustment also resulted in the same amount  
6 (\$242,511) being added to the Accumulated Depreciation of Plant.

7 Second, the parties agreed to increase the Accumulated Depreciation  
8 of Plant by \$15,618 to reflect one year of Depreciation Expense on the Juniper  
9 assets.

10 Summary of Avion's Adjusted Accumulated Depreciation of Plant:

11	Accumulated Depreciation of Plant-- As Filed	\$16,126,159
12	Accumulated Amortization of CIAC correction	242,511
13	Addition one year Juniper Depreciation	<u>15,618</u>
14	Accumulated Depreciation of Plant-- As Adjusted	\$16,384,288

15 **Q. Please describe the discrepancies between the Accumulated Depreciation**  
16 **as calculated in the plant portion of Staff's revenue requirement model**  
17 **(Exhibit 103) and the Accumulated Depreciation found in Avion's 2016**  
18 **Annual Results of Operation Report (Annual Report).<sup>6</sup>**

19 A. Avion's 2016 Annual Report listed total Accumulated Depreciation and  
20 Amortization of \$16,126,159 (less Accumulated Amortization of CIAC of  
21 \$6,296,525) resulting in an Accumulated Depreciation of Plant of \$9,829,634.  
22 The Accumulated Depreciation of Plant in the final revenue requirement model  
23 related to plant in service in 2016 is \$9,651,466, a difference of \$178,168 from

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<sup>6</sup> See exhibit Staff/104, Brock/1-18 (Avion 2016 Annual Report).

1 the amount shown in the Annual Report. The Stipulating Parties agreed to use  
2 the higher amount found in the Annual Report, rather than the amount found in  
3 Exhibit 103, in calculating the Accumulated Depreciation in this case. Because  
4 the Company's filing reflected the Accumulated Depreciation found in Annual  
5 Report, no related adjustment is required.

6 **Q. Please describe the actions the Stipulating Parties agreed to take to**  
7 **address the above-noted discrepancy.**

8 A. Paragraph 7 of the Stipulation requires Staff and Avion to work together to  
9 reconcile the differences between the plant portion of Staff's revenue  
10 requirement and Avion's depreciation schedule.

11 **Contributions in Aid of Construction (CIAC)**

12 **Q. Please describe the adjustments you made to the Company's CIAC.**

13 A. The parties agreed to adjust CIAC by \$481 to correct errors in Avion's CIAC  
14 plant model.

15 **Accumulated Deferred Income Tax**

16 The parties agreed to a \$2,886 increase to accumulated deferred income tax to  
17 align this account to the amount reported in Avion's 2016 Annual Report, as  
18 the 2016 Annual Report and Avion's Application amounts for this account did  
19 not match.

20 **Cost of Capital**

21 **Q. What Cost of Capital did the Company request in its Application?**

22 A. Avion proposed a 7.63 percent rate of return (ROR) reflecting a 10 percent  
23 return on equity (ROE). Currently, Avion has an outstanding loan balance of

1 \$7,932,458 from the Bank of Cascades at 3.48 percent interest and another  
 2 \$7,875 loan balance at 6 percent interest from Larry Allen; in combination,  
 3 those loans represent 41.48 percent of Avion's capital structure. The  
 4 Stipulating Parties agreed on a 9.50 ROE, resulting in a 7.03 ROR. Table 1  
 5 illustrates the cost of capital agreed to by the Stipulating Parties.

6 **Table 1.**

<b>Stipulated Cost of Capital</b>				
	Amount	Cap Struct	Cost	Wtd. Cost
Bank of the Cascades	7,932,458	40.95%	3.48%	1.43%
Allen, Larry	7,875	0.04%	6.00%	0.00%
		0.00%		0.00%
<b>Total Debt</b>	<b>7,940,333</b>	<b>40.99%</b>		<b>1.43%</b>
Equity	11,428,798	59.01%	9.50%	5.61%
		0.00%		0.00%
		0.00%		0.00%
<b>Total Equity</b>	<b>11,428,798</b>	<b>59.01%</b>		<b>5.61%</b>
<b>Total Debt + Equity</b>	<b>19,369,131</b>	<b>100.00%</b>		<b>7.03%</b>
				<b>Return on Equity (ROE)</b>
				<b>Rate of Return (ROR)</b>

7 However, not included in the cost of capital above is the loan  
 8 guarantee fee paid to certain Avion officers. The Bank of Cascade requires a  
 9 personal loan guarantee as a condition of extending a loan; the bank can call  
 10 the loan at any time and the Avion officers are personally liable for repayment.  
 11 For 2016, Avion paid its officers a personal loan guarantee of \$140,544.57 in  
 12 accordance with an approved percentage of the loan balance set forth in  
 13 UI 268<sup>7</sup> due to the liability of providing personal guarantees to the bank. That  
 14 amount is included in Miscellaneous Expense.

<sup>7</sup> *In re Avion Water Company, Inc.*, OPUC Docket No. UI 268, Order No. 07-417 (September 25, 2007).

1                                    **Issue 5. Staff's Analysis of the Juniper Acquisition**

2

3        **Q. Please describe Avion's acquisition of the Juniper Utility System,**

4                    **formerly owned by the City of Bend.**

5        A. In March of 2017, Avion acquired 321 domestic customers and 180 irrigation

6                    customers from the City of Bend in the Nottingham and Stonegate

7                    neighborhoods of Bend. These customers had been served by the former

8                    Juniper system, which was condemned by the City of Bend in 2002. The

9                    Nottingham and Stonegate neighborhoods adjoined Avion's existing Bend

10                  footprint. These customers are now fed through a new intertie into Avion's

11                  domestic water system, referred to as the 15<sup>th</sup> Street Intertie.

12                  All former Juniper domestic customers are currently served under

13                  Avion's pre-existing domestic water tariffs and through Avion's water system

14                  with the exception of the new Juniper Nottingham irrigation customers.

15                  Nottingham irrigation customers are served, up to the point of interconnection

16                  with Avion's system at Nottingham, by a separate irrigation water system that

17                  was also recently purchased from the City of Bend and is now owned and

18                  operated by Roats Water System, Inc. (Roats). Avion must pay Roats a

19                  wheeling fee (Roats Wheeling Fee) to deliver the irrigation water to the

20                  Nottingham subdivision. In January of 2017, Avion filed a separate irrigation

21                  tariff to provide irrigation water service to the Nottingham customers (Schedule

22                  No. 13),<sup>8</sup> which was approved by the Commission in UW 170.

23        **Q. Did Avion seek approval for the purchase of Juniper?**

---

<sup>8</sup> *In re Avion Water Company, Inc.*, OPUC Docket No. UW 170, Order No. 17-086 (March 10, 2017).

1 A. No. Avion was not required to gain approval for this particular transaction for  
 2 two reasons. First, Commission approval of the Juniper purchase pursuant to  
 3 ORS 757.485 was not required given that the Juniper was not a “public utility”  
 4 as defined in Commission statutes, nor subject to Commission jurisdiction.  
 5 Second, Avion did not require financing for the purchase of the Juniper assets  
 6 through the issuance of stocks, bonds, or other methods requiring Commission  
 7 approval. Rather, Avion chose to finance the purchase and related  
 8 interconnection costs with existing capital.

9 **Q. Please discuss Staff’s review of Avion’s acquisition of Juniper.**

10 A. Staff conducted a thorough review of the Juniper acquisition. To determine  
 11 whether the purchase of Juniper was prudent, Staff performed a 20-Year Net  
 12 Present Value (NPV) analysis of the impacts of the proposed purchase on  
 13 Avion’s existing customers. Staff estimated the benefits that will result from the  
 14 purchase through a comparison of the per customer cost to Avion customers  
 15 with and without the Juniper purchase. The analysis was performed using the  
 16 factors in Table 2.

17 **Table 2. NPV Variables**

Variables	Customers
With Juniper	13,791
Without Juniper	13,290
Difference	(501)
With Juniper--Cost per Customer	\$649.93
Without Juniper--Cost per Customer	\$664.55
Cost Savings per Customer	\$14.62
Discount rate	7.03
Cost Growth Rate	2%



1 Staff concluded that the purchase results in savings to current Avion customers  
 2 based primarily on increased economies of scale resulting from spreading costs  
 3 over a larger customer base. Staff selected a 20-year time horizon over which  
 4 to examine cost reductions to Avion customers, however, Staff notes that cost  
 5 reductions to current Avion customers occurs immediately in year one (2018).  
 6 The cost savings are reflected in Table 3.

7 **Table 3. Cost Savings for Existing Avion Customers**

YEAR	COST SAVINGS	INCREASED COSTS	TOTAL COST SAVINGS PER YEAR	NPV RR BENEFIT
2018	\$194,284	\$ 4,172	\$190,112	\$183,760
2019	\$198,169	\$12,444	\$185,725	\$167,723
2020	\$202,133	\$20,576	\$181,557	\$153,185
2021	\$206,176	\$28,565	\$177,610	\$140,008
2022	\$210,299	\$36,414	\$173,885	\$128,064
2023	\$214,505	\$44,120	\$170,385	\$117,240
2024	\$218,795	\$51,686	\$167,109	\$107,431
2025	\$223,171	\$59,109	\$164,062	\$98,541
2026	\$227,634	\$66,392	\$161,243	\$90,483
2027	\$232,187	\$73,532	\$158,655	\$83,181
2028	\$236,831	\$80,532	\$156,299	\$76,561
2029	\$241,568	\$87,389	\$154,178	\$70,559
2030	\$246,399	\$94,106	\$152,293	\$65,117
2031	\$251,327	\$100,680	\$150,646	\$60,180
2032	\$256,353	\$107,114	\$149,240	\$55,701
2033	\$261,480	\$113,406	\$148,075	\$51,634
2034	\$266,710	\$119,556	\$147,154	\$47,941
2035	\$272,044	\$125,565	\$146,480	\$44,586
2036	\$277,485	\$131,432	\$146,053	\$41,535
2037	\$283,035	\$137,158	\$145,877	\$38,759
			<b>\$3,226,638</b>	<b>\$1,822,187</b>

8 Staff's analysis demonstrates that Avion's purchase of Juniper from the  
 9 City of Bend is prudent based on the facts and circumstances of this case.

1 Further, it is consistent with Avion's provision of service as a water utility with  
2 currently adjoining service territory and will not impair Avion's ability to perform  
3 its service obligations to current customers or newly acquired customers.

4 Moreover, Staff's analysis demonstrates that Avion's current customers will  
5 benefit in reduced costs from the acquisition over the long term.

6 **Q. How much of the purchase price of the Juniper acquisition does Staff**  
7 **recommend be allowed into rate base?**

8 A. Staff recommends that \$400,000 be allowed into rate base as the net book  
9 value of the Juniper assets, in addition to \$104,757 in estimated  
10 interconnection costs for the Juniper 15<sup>th</sup> Street Intertie and China Hat Booster  
11 Station.

12 The purchase price paid by Avion to acquire a section of the Juniper  
13 assets from the City of Bend was \$400,000. However, consistent with the  
14 Commission's long-standing practice of bringing prudently-acquired plant in at  
15 net book value, Staff investigated to determine the net book value of the  
16 Juniper assets acquired by Avion. Despite requests to Avion and Avion  
17 subsequently requesting information from the City of Bend, Staff was unable to  
18 retrieve detailed information concerning the net book value of the Juniper  
19 assets. Further, Staff found it difficult, to near impossible (due to the lack of  
20 forthcoming information), to determine if some or any of the Juniper plant when  
21 owned by the City of Bend was CIAC. Staff was able to review approximate  
22 calculations suggesting that the section of the Juniper system acquired by  
23 Avion was originally worth \$1.2 million, but after depreciation, was valued at

1 approximately \$1 million at the time it was purchased by Avion for  
2 \$400,000. Importantly, Staff was able to obtain and review the Asset Purchase  
3 Agreement executed between the City of Bend and Avion, which expressly  
4 indicated that at least \$400,000 of the section of Juniper acquired by Avion was  
5 not CIAC.<sup>9</sup> Therefore, based on the information provided to Staff, Staff  
6 understands that the net book value of the new plant is between \$400,000 and  
7 \$1M.

8 Staff recommends that the \$400,000 net book value of the Juniper  
9 system assets be allowed into Avion's rate base. Staff concludes that the  
10 purchase was prudent based on the purchase price of \$400,000 for assets  
11 valued between \$400,000 and \$1 million, and more importantly, the results of  
12 Staff's NPV analysis discussed above. The NPV analysis shows that the  
13 Juniper purchase benefits current Avion customers due to economies of scale  
14 and reduced costs over time.

#### 15 **Issue 6. Customer Concerns**

##### 16 **Q. Were customers notified of the proposed rate increase?**

17 A. Yes. Avion posted a notice in the Sunday edition of the Bend Bulletin, dated  
18 May 14, 2017, to notify their customers of the proposed rate increase.

##### 19 **Q. Did the customers express any concerns during the rate case?**

20 A. Yes. Consumer Services received one letter from an Avion customer  
21 protesting higher rates. However, no customers attended the prehearing

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<sup>9</sup> See Asset Purchase Agreement at p. 3, para. 2.1.

1 conference to express questions or concerns, and no parties intervened in this  
2 proceeding.

3 **Issue 7. Rate Spread/Rate Design**

4 **Q. What are the components of the Stipulating Parties recommended rates?**

5 A. First, rates are comprised of a base rate that is charged regardless of water  
6 use and a commodity (or usage) rate that is charged per 100 cubic feet  
7 (approximately 748 gallons) used. Compared to rates based on strict  
8 commodity usage, this rate design relies less on the amount of water used to  
9 maintain stable revenues for the Company and ensure that there are adequate  
10 funds to operate during the winter months when there is generally lower water  
11 use. This rate design also ensures that customers are paying for their own  
12 actual water used per month. In terms of designing how revenues are to be  
13 split between the base and commodity rate, traditionally 60 percent of  
14 customer rates are allocated to the base (or guaranteed monthly) rate, and 40  
15 percent are allocated to the commodity (fluctuating) rate. The Stipulating  
16 Parties agreed on a traditional 60/40 split to provide more certainty to the  
17 Company and better align Avion's rate design with industry ratemaking  
18 practices.

19 Second, rate spread is used to allocate revenue sources to specific  
20 classes of customers to reflect expenses that provide the service to the specific  
21 class of customer. The bulk (93 percent) of Avion's customers are Domestic  
22 Water Users, thus, 99.225 percent of the revenue requirement was spread  
23 across this class of customers. Fire Protection Sales was allocated .392

1 percent and Water Sales for Resale was allocated .383 percent of the total  
 2 revenue requirement. Additionally, some of the other revenue sources were  
 3 assigned necessary associated revenues directly in the rate model: Standard  
 4 Irrigation was assessed revenues of \$165,000, Irrigation Assessments  
 5 \$262,227, Nottingham Irrigation Assessments (Wheeling Fee) \$79,000,  
 6 Miscellaneous Services \$104,521, Cross Connection Control \$250,658, and  
 7 Other \$187,176 for a total Revenue Requirement of \$8,947,062. Allocations  
 8 are used to assign revenues to cover the expenses incurred by each water  
 9 service so that one water service does not subsidize the cost to provide  
 10 another water service. The stipulated rate spread is illustrated in Table 4.

11 **Table 4.**

Rate Spread		
<b>TOTAL REVENUE REQUIREMENT</b>	8,947,062	
<b>REVENUE FROM WATER SALES</b>	7,898,480	Alloc
Residential/Commercial	7,837,292	99.225%
Commercial/Industrial	-	0.000%
Fire Protection Sales	30,930	0.392%
Standard Irrigation	165,000	
Water Sales for Resale (Bulk Water)	30,258	0.383%
Irrigation Assessments (?)	262,227	
Irrigation Assessments for Nottingham	79,000	
		100.000%
<b>REVENUE FROM SOURCES OTHER THAN WATER SALES</b>		
Miscellaneous Services	104,521	
Cross Connection Control	250,658	
Other	187,176	
<b>TOTAL REVENUE</b>	<b>8,947,062</b>	

12 **Q. What are the rates agreed upon by the Stipulating Parties?**

13 A. The Stipulating Parties agreed to allocate the increase in rates across five of  
 14 Avion’s existing tariffs. Schedule No. 1, Residential and Commercial Metered  
 15 domestic water customer’s base rates differ depending on the size of their  
 16 meter. Larger meter sizes absorbed more of the increase to base rates, as is

1 explained later in my testimony concerning the AWWA meter factors.  
 2 Commodity rates for domestic water customers increased slightly to .95 per  
 3 each 100 cubic feet unit used. Table 5 compares the new domestic rates in the  
 4 Stipulation.

5 **Table 5.**

<b>Comparison of Residential/ Commercial Domestic Water Rates</b>						
<b>METER</b>	<b>BASE RATES</b>			<b>COMMODITY RATES</b>		
Line Type & Size	Current Rate	Staff Proposed Rate	Difference (%)	Current Rate	Staff Proposed Rate	Difference (%)
<b>Residential/Commercial</b>						
5/8"	\$ 25.97	\$ 26.17	0.77%	\$ 0.94	\$ 0.95	1.15%
3/4"	\$ 31.58	\$ 35.69	13.01%	\$ 0.94	\$ 0.95	1.15%
1"	\$ 49.12	\$ 59.48	21.09%	\$ 0.94	\$ 0.95	1.15%
1 1/2"	\$ 93.57	\$ 107.06	14.42%	\$ 0.94	\$ 0.95	1.15%
2"	\$ 170.76	\$ 190.34	11.46%	\$ 0.94	\$ 0.95	1.15%
3"	\$ 304.10	\$ 356.88	17.36%	\$ 0.94	\$ 0.95	1.15%
4"	\$ 538.02	\$ 594.80	10.55%	\$ 0.94	\$ 0.95	1.15%
6"	\$ 842.13	\$ 951.68	13.01%	\$ 0.94	\$ 0.95	1.15%
8"	None	\$1,903.35	N/A	\$ 0.94	\$ 0.95	1.15%

6 Table 6 illustrates the effect that the rate increases will have on customer's  
 7 average monthly bills.

1

**Table 6.**

<b>Comparison of Residential/ Commercial Domestic Water Rates</b>			
<b>METER</b>	<b>AVERAGE MONTHLY BILLS</b>		
Line Type & Size	Current Rate	Staff Proposed Rate	Difference (%)
<b>Residential/Commercial</b>			
5/8"	\$ 42.31	\$ 42.70	0.92%
3/4"	\$ 57.14	\$ 61.54	7.71%
1"	\$ 79.10	\$ 89.80	13.53%
1 1/2"	\$ 257.69	\$ 273.07	5.97%
2"	\$ 292.75	\$ 313.73	7.17%
3"	\$ 1,161.61	\$ 1,224.27	5.39%
4"	\$ 1,147.12	\$ 1,210.92	5.56%
6"	\$ 9,593.45	\$ 9,803.89	2.19%
8"	N/A	No Customers	N/A

2

As shown in Table 7, Standard irrigation customers taking service pursuant to

3

Schedule No. 2 also received a modest increase in the base rate of 2.35

4

percent, with a commodity rate increase of 1.82 percent, yet, Nottingham

5

irrigation customers taking service pursuant to Schedule No. 13 rates were

6

increased by 10.13 percent. This increase reflects the fact that the prior

7

Nottingham irrigation rate did not include either administrative or repair

8

expenses. Table 7 illustrates the new irrigation rate increases.

9

**Table 7.**

<b>Irrigation Rates</b>	<b>BASE RATES</b>			<b>COMMODITY RATES</b>		
<b>Standard</b>	\$ 10.19	\$ 10.43	2.35%	\$ 7.64	\$ 7.78	1.82%
<b>Nottingham</b>	\$ 33.21	\$ 36.57	10.13%	None		N/A

10

Fire rates increased slightly over 6 percent in Schedule No. 4; increases to the

11

rates are illustrated in Table 8.

1

**Table 8.**

METER	BASE RATES			COMMODITY RATES		
	Current Rate	Staff Proposed Rate	Difference (%)	Current Rate	Staff Proposed Rate	Difference (%)
Line Type & Size						
<b>Fire</b>						
4" or smaller	\$ 20.42	\$ 21.68	6.15%	None	None	0.00%
6"	\$ 44.72	\$ 47.47	6.15%	None	None	0.00%
8"	\$ 78.43	\$ 83.24	6.13%	None	None	0.00%
10"	\$ 121.73	\$ 129.19	6.13%	None	None	0.00%
12"	\$ 174.62	\$ 185.33	6.13%	None	None	0.00%
Hydrant & Maintenance	\$ 12.80	\$ 13.66	6.69%	None	None	0.00%

2

Finally, the bulk water tariff, Schedule No. 5, is strictly a commodity rate used

3

for bulk water purchases by water haulers. Bulk water rates increased from

4

\$1.00 per 100 cubic feet to \$1.06 per 100 cubic feet, representing a 6.48

5

percent increase.

6

**Q. Please explain why the percentage of the revenue requirement increase is not spread uniformly across all base rates for all meter sizes.**

7

8

A. Industry accepted AWWA factors are used to proportionally bill the amount of

9

water delivered by various meter sizes. The volume of water each meter size

10

delivers is assigned a proportional equivalent factor to reflect the amount of

11

water volume delivered by each customer's meter to the dollar amount in the

12

customer's base rate. Avion's 5/8 inch meter size customers, which comprise

13

11,470 out of 12,820 domestic customers, have been paying higher base rate

14

factors that do not align with AWWA factors. Over the last three rate cases,

15

Staff has been adjusting base rates to move toward the AWWA factors while

16

still attempting to avoid rate shock to the larger meter sized customers. While

17

the 5/8 meter customer's factor is still slightly higher than the standard AWWA



1 factor, all but two of the large meter sizes have been adjusted at this point to  
2 align with AWWA factors, and Staff was able to lower the 5/8 inch meter factor  
3 slightly.

4 Staff will continue to work toward aligning base rate factors with actual  
5 AWWA factors and has made progress toward this goal in the last two rate  
6 cases.

7 **Q. Are the resulting rates reached in the Stipulation fair and reasonable?**

8 A. Yes.

9 **Q. Did the Stipulating Parties agree on a rate effective date?**

10 A. Yes. The Stipulating Parties agree that new rates will go into effect for service  
11 on and after January 1, 2018.

12 **Q. Does this conclude your testimony?**

13 A. Yes.

CASE: UW 171  
WITNESS: MALIA BROCK

**PUBLIC UTILITY COMMISSION  
OF  
OREGON**

**STAFF EXHIBIT 101**

**Witness Qualifications Statement**

**October 16, 2016**

### **WITNESS QUALIFICATION STATEMENT**

**NAME:** Malia Brock

**EMPLOYER:** PUBLIC UTILITY COMMISSION OF OREGON

**TITLE:** Senior Utility Analyst, Retail Rates and Water Section

**ADDRESS:** 201 High Street SE. Suite 100  
Salem, OR 97301

**EXPERIENCE:** My assignments over the last seven years while at the Oregon Commission have included service quality issues and monitoring, various dockets, rate cases, rulemakings, and lead investigator in the rural call completion issue. I provide telecommunications technical support to the Commissioners, Consumer Services Division, and other staff members. I possess a combined total of 40 years' experience in telecommunications. Prior experience includes team lead and Telecommunications Administrator in Network Operations for Department of Corrections where I was responsible to manage and program Avaya and Nortel systems supporting the telecommunication networks of 21 secure secure environment locations. I was responsible for contract maintenance, telecommunications budget, supervision, service orders, review and supervision of switch maintenance and upgrades. My lead duties included responsibilities for

oversight of the data and telecommunication networks, servers and email supporting 4,300 employees in 21 locations. Past employment with PNB/US West/Qwest for 25 years add telecommunications experience as network technician, complex line assigner, assignment, carrier services, and customer service.

CASE: UW 171  
WITNESS: MALIA BROCK

**PUBLIC UTILITY COMMISSION  
OF  
OREGON**

**STAFF EXHIBIT 102**

**Exhibits in Support of Testimony**

**October 16, 2017**

Avion Water Company, Inc.					
Docket No. UW 171					
January 1, 2016, to December 31, 2016					
			Company Proposed Increase		Staff Proposed Increase
Revenue Requirement			12.82%		7.46%
	Test Year	Company Adjustments	Company Proposed Totals	Staff Adjustments to Company Totals	Staff Proposed Totals
<b>REVENUES</b>					
461.1 Residential/Commercial	7,360,427	943,661	\$ 8,304,088	\$ (466,794)	\$ 7,837,294
461.2 Commercial/Industrial	-	-	\$ -	\$ -	\$ -
462 Fire Protection Sales	29,048	3,724	\$ 32,772	\$ (1,842)	\$ 30,930
465 Irrigation Water Sales	372,174	47,715	\$ 419,889	\$ 86,338	\$ 506,227
466 Water Sales for Resale (Bulk Water)	28,417	3,643	\$ 32,060	\$ (1,802)	\$ 30,258
471 Miscellaneous Services	104,521	13,400	\$ 117,921	\$ (13,400)	\$ 104,521
475 Cross Connection Control	244,535	31,351	\$ 275,886	\$ (25,228)	\$ 250,658
Other	187,176	23,997	\$ 211,173	\$ (23,997)	\$ 187,176
			\$ -	\$ -	\$ -
			\$ -	\$ -	\$ -
<b>Total Revenue</b>	<b>\$ 8,326,298</b>	<b>\$ 1,067,492</b>	<b>\$ 9,393,790</b>	<b>\$ (446,726)</b>	<b>\$ 8,947,064</b>
<b>Acct . OPERATING EXPENSES</b>					
601 Salaries and Wages - Employees	1,564,370	214,111	\$ 1,778,481	\$ (209,454)	\$ 1,569,027
603 Salaries and Wages - Officers	471,168	9,303	\$ 480,471	\$ (15,303)	\$ 465,168
604 Employee Pension & Benefits	774,888	51,666	\$ 826,554	\$ 44,098	\$ 870,652
610 Purchased Water	267,361	5,347	\$ 272,708	\$ 1,586	\$ 274,294
611 Telephone/Communications	52,676	13,270	\$ 65,946	\$ (1,054)	\$ 64,892
615 Purchased Power	898,402	17,968	\$ 916,370	\$ 46,832	\$ 963,202
616 Fuel for Power Production	-	-	\$ -	\$ -	\$ -
617 Other Utilities	7,739	155	\$ 7,894	\$ (155)	\$ 7,739
618 Chemical / Treatment Expense	-	-	\$ -	\$ -	\$ -
619 Office Supplies	7,206	144	\$ 7,350	\$ (144)	\$ 7,206
619.1 Postage	5,265	105	\$ 5,370	\$ (105)	\$ 5,265
620 O&M Materials/Supplies	329,115	6,582	\$ 335,697	\$ (6,582)	\$ 329,115
621 Repairs to Water Plant	115,545	2,311	\$ 117,856	\$ (2,311)	\$ 115,545
631 Contract Svcs - Engineering	3,322	66	\$ 3,388	\$ (66)	\$ 3,322
632 Contract Svcs - Accounting	15,078	302	\$ 15,380	\$ (3,791)	\$ 11,589
633 Contract Svcs - Legal	22,626	453	\$ 23,079	\$ (1,116)	\$ 21,963
634 Contract Svcs - Management Fees	-	-	\$ -	\$ -	\$ -
635 Contract Svcs - Testing	47,246	945	\$ 48,191	\$ (5,172)	\$ 43,019
636 Contract Svcs - Labor	-	-	\$ -	\$ -	\$ -
637 Contract Svcs - Billing/Collection	88,882	1,778	\$ 90,660	\$ (1,778)	\$ 88,882
638 Contract Svcs - Meter Reading	133,551	2,671	\$ 136,222	\$ (2,671)	\$ 133,551
639 Contract Svcs - Other	60,993	4,940	\$ 65,933	\$ (1,220)	\$ 64,713
641 Rental of Building/Real Property	23,615	472	\$ 24,087	\$ (472)	\$ 23,615
642 Rental of Equipment	3,026	61	\$ 3,087	\$ (61)	\$ 3,026
643 Small Tools	5,880	118	\$ 5,998	\$ (118)	\$ 5,880
648 Computer/Electronic Expenses	30,612	612	\$ 31,224	\$ (3,733)	\$ 27,491
650 Transportation	148,709	2,974	\$ 151,683	\$ (2,974)	\$ 148,709
656 Vehicle Insurance	15,762	315	\$ 16,077	\$ (315)	\$ 15,762
657 General Liability Insurance	41,481	830	\$ 42,311	\$ (830)	\$ 41,481
658 Workers' Comp Insurance	24,782	1,138	\$ 25,920	\$ (496)	\$ 25,424
659 Insurance - Other	10,094	202	\$ 10,296	\$ (202)	\$ 10,094
666 Amort. of Rate Case	-	-	\$ -	\$ -	\$ -
667 Gross Revenue Fee (PUC)	22,376	5,805	\$ 28,181	\$ (1,340)	\$ 26,841
668 Water Resource Conservation	15,906	318	\$ 16,224	\$ (318)	\$ 15,906
670 Bad Debt Expense	23,647	473	\$ 24,120	\$ (3,542)	\$ 20,578
671 Cross Connection Control Program	-	-	\$ -	\$ -	\$ -
673 Training and Certification	21,807	436	\$ 22,243	\$ (436)	\$ 21,807
674 Consumer Confidence Report	8,695	174	\$ 8,869	\$ (174)	\$ 8,695
675 Miscellaneous Expense	214,962	4,299	\$ 219,261	\$ (4,299)	\$ 214,962
OE1 Other Expense 1	-	-	\$ -	\$ -	\$ -
OE2 Other Expense 2	-	-	\$ -	\$ -	\$ -
OE3 Other Expense 3	-	-	\$ -	\$ -	\$ -
OE4 Other Expense 4	-	-	\$ -	\$ -	\$ -
<b>TOTAL OPERATING EXPENSE</b>	<b>\$ 5,476,787</b>	<b>\$ 350,344</b>	<b>\$ 5,827,131</b>	<b>\$ (177,716)</b>	<b>\$ 5,649,415</b>
<b>OTHER REVENUE DEDUCTIONS</b>					
403 Depreciation Expense	601,009	109,828	\$ 710,837	\$ (29,615)	\$ 681,222
406 Amort of Plant Acquisition Adjustment	-	-	\$ -	\$ -	\$ -
407 Amortization Expense	-	-	\$ -	\$ -	\$ -
408.11 Property Tax	276,248	15,465	\$ 291,713	\$ (8,287)	\$ 283,426
408.12 Payroll Tax	164,541	7,573	\$ 172,114	\$ (3,291)	\$ 168,823
408.13 Other	118,116	2,362	\$ 120,478	\$ (2,362)	\$ 118,116
409.10 Federal Income Tax	495,614	144,009	\$ 639,623	\$ (80,304)	\$ 559,319
409.11 Oregon Income Tax	119,951	30,362	\$ 150,313	\$ (25,828)	\$ 124,485
409.13 Extraordinary Items Income Tax	-	-	\$ -	\$ -	\$ -
<b>TOTAL REVENUE DEDUCTIONS</b>	<b>\$ 7,252,266</b>	<b>\$ 659,943</b>	<b>\$ 7,912,209</b>	<b>\$ (327,403)</b>	<b>\$ 7,584,806</b>
<b>Net Operating Income</b>	<b>\$ 1,074,032</b>	<b>\$ 407,549</b>	<b>\$ 1,481,581</b>	<b>\$ (119,323)</b>	<b>\$ 1,362,258</b>
<b>UTILITY RATE BASE</b>					
101 Utility Plant in Service	52,443,780	587,757	\$ 53,031,537	\$ (27,061)	\$ 53,004,476
105 Construction Work in Progress	-	-	\$ -	\$ -	\$ -
108 - Accumulated Depreciation of Plant	16,126,159	-	\$ 16,126,159	\$ 258,129	\$ 16,384,288
271 - Contributions in Aid of Construction	24,182,210	-	\$ 24,182,210	\$ 481	\$ 24,182,691
272 + Accumulated Amortization of CIAC	6,296,525	-	\$ 6,296,525	\$ 242,511	\$ 6,539,036
281 - Accumulated Deferred Income Tax	276,620	-	\$ 276,620	\$ 2,886	\$ 279,506
- Excess Capacity	-	-	\$ -	\$ -	\$ -
<b>= NET RATE BASE INVESTMENT</b>	<b>\$ 18,155,316</b>	<b>\$ 587,757</b>	<b>\$ 18,743,073</b>	<b>\$ (46,046)</b>	<b>\$ 18,697,027</b>
Plus: (working capital)					
151 Materials and Supplies Inventory	201,321	-	\$ 201,321	\$ -	\$ 201,321
Working Cash (Total Op Exp /12)	456,399	28,711	\$ 485,110	\$ (14,325)	\$ 470,785
<b>TOTAL RATE BASE</b>	<b>\$ 18,813,036</b>	<b>\$ 616,468</b>	<b>\$ 19,429,504</b>	<b>\$ (60,371)</b>	<b>\$ 19,369,133</b>
<b>Rate of Return</b>	<b>5.71%</b>		<b>7.63%</b>		<b>7.03%</b>

Avion Water Company, Inc.				
Docket No. UW 171				
January 1, 2016, to December 31, 2016				
Adjustment Summary				
	Company	Staff	Staff Proposed	
	Proposed Totals	Company Totals	Totals	Explanation of Adjustment
<b>REVENUES</b>				
Residential/Commercial	\$ 8,304,088	\$ (466,794)	\$ 7,837,294	Revenue sensitive adjustment.
Commercial/Industrial	\$ -	\$ -	\$ -	
Fire Protection Sales	\$ 32,772	\$ (1,842)	\$ 30,930	Revenue sensitive adjustment.
Irrigation Water Sales	\$ 419,889	\$ 78,991	\$ 506,227	Add Nottingham irrigation revenues and customers.
Water Sales for Resale (Bulk Water)	\$ 32,060	\$ (1,802)	\$ 30,258	Revenue sensitive adjustment.
Miscellaneous Services	\$ 117,921	\$ (13,400)	\$ 104,521	Revenue sensitive adjustment.
Cross Connection Control	\$ 275,886	\$ (25,228)	\$ 250,658	Revenue sensitive adj + add Juniper customers to expected revenues +\$6,123
Other	\$ 211,173	\$ (23,997)	\$ 187,176	Revenue sensitive adjustment.
	\$ -	\$ -	\$ -	
	\$ -	\$ -	\$ -	
<b>Total Revenue</b>	<b>\$ 9,393,790</b>	<b>\$ (446,726)</b>	<b>\$ 8,947,064</b>	
<b>OPERATING EXPENSES</b>				
601 Salaries and Wages - Employees	\$ 1,778,481	\$ (209,454)	\$ 1,569,027	Disallow 2% inflation factor, 50% of emp. Bonus, rmv 3 yr avg capitalized labor & burden.
603 Salaries and Wages - Officers	\$ 480,471	\$ (15,303)	\$ 465,168	Disallow 2% inflation factor, Officer bonuses.
604 Employee Pension & Benefits	\$ 826,554	\$ 44,098	\$ 870,652	Disallow 2% factor, parties, turkeys, payroll draws/coding error, move exp.
610 Purchased Water	\$ 272,708	\$ 1,586	\$ 274,294	Disallowed 2% inflation factor and added Nottingham irrigation cost
611 Telephone/Communications	\$ 65,946	\$ (1,054)	\$ 64,892	Disallow 2% inflation factor increases due to new vendors and increased costs
615 Purchased Power	\$ 916,370	\$ 46,832	\$ 963,202	Disallowed 2% inflation factor and add Nottingham wheeling cost
616 Fuel for Power Production	\$ -	\$ -	\$ -	
617 Other Utilities	\$ 7,894	\$ (155)	\$ 7,739	Disallowed 2% inflation factor
618 Chemical / Treatment Expense	\$ -	\$ -	\$ -	
619 Office Supplies	\$ 7,350	\$ (144)	\$ 7,206	Disallowed 2% inflation factor
619.1 Postage	\$ 5,370	\$ (105)	\$ 5,265	Disallowed 2% inflation factor
620 O&M Materials/Supplies	\$ 335,697	\$ (6,582)	\$ 329,115	Disallow 2% inflation factor
621 Repairs to Water Plant	\$ 117,856	\$ (2,311)	\$ 115,545	Disallowed 2% inflation factor
631 Contract Svcs - Engineering	\$ 3,388	\$ (66)	\$ 3,322	Disallowed 2% inflation factor
632 Contract Svcs - Accounting	\$ 15,380	\$ (3,791)	\$ 11,589	used 3 year average and disallowed 2% inflation factor
633 Contract Svcs - Legal	\$ 23,079	\$ (1,116)	\$ 21,963	used 3 year average and disallowed 2% inflation factor
634 Contract Svcs - Management Fees	\$ -	\$ -	\$ -	
635 Contract Svcs - Testing	\$ 48,191	\$ (5,172)	\$ 43,019	used 3 year average and disallowed 2% inflation factor
636 Contract Svcs - Labor	\$ -	\$ -	\$ -	
637 Contract Svcs - Billing/Collection	\$ 90,660	\$ (1,778)	\$ 88,882	Disallowed 2% inflation factor
638 Contract Svcs - Meter Reading	\$ 136,222	\$ (2,671)	\$ 133,551	Disallowed 2% inflation factor
639 Contract Svcs - Other	\$ 65,933	\$ (1,220)	\$ 64,713	Disallowed 2% inflation factor
641 Rental of Building/Real Property	\$ 24,087	\$ (472)	\$ 23,615	Disallowed 2% inflation factor
642 Rental of Equipment	\$ 3,087	\$ (61)	\$ 3,026	Disallowed 2% inflation factor
643 Small Tools	\$ 5,998	\$ (118)	\$ 5,880	Disallowed 2% inflation factor
648 Computer/Electronic Expenses	\$ 31,224	\$ (3,733)	\$ 27,491	Used 3 year average and disallowed 2% inflation factor
650 Transportation	\$ 151,683	\$ (2,974)	\$ 148,709	Disallowed 2% inflation factor
656 Vehicle Insurance	\$ 16,077	\$ (315)	\$ 15,762	Disallowed 2% inflation factor
657 General Liability Insurance	\$ 42,311	\$ (830)	\$ 41,481	Disallowed 2% inflation factor
658 Workers' Comp Insurance	\$ 25,920	\$ (496)	\$ 25,424	Disallowed 2% inflation factor
659 Insurance - Other	\$ 10,296	\$ (202)	\$ 10,094	Disallowed 2% inflation factor
666 Amort. of Rate Case	\$ -	\$ -	\$ -	
667 Gross Revenue Fee (PUC)	\$ 28,181	\$ (1,340)	\$ 26,841	calculated automatically
670 Bad Debt Expense	\$ 24,120	\$ (3,542)	\$ 20,578	Used 3 year average and disallowed 2% inflation factor
671 Cross Connection Control Program	\$ -	\$ -	\$ -	
673 Training and Certification	\$ 22,243	\$ (436)	\$ 21,807	3 year average is \$21,815
674 Consumer Confidence Report	\$ 8,869	\$ (174)	\$ 8,695	Disallowed 2% inflation factor
675 Miscellaneous Expense	\$ 219,261	\$ (4,299)	\$ 214,962	Disallowed 2% inflation factor
OE1 Other Expense 1	\$ -	\$ -	\$ -	
OE2 Other Expense 2	\$ -	\$ -	\$ -	
OE3 Other Expense 3	\$ -	\$ -	\$ -	
OE4 Other Expense 4	\$ -	\$ -	\$ -	
668 Water Resource Conservation	\$ 16,224	\$ (318)	\$ 15,906	Disallowed 2% inflation factor
<b>TOTAL OPERATING EXPENSE</b>	<b>\$ 5,827,131</b>	<b>\$ (177,716)</b>	<b>\$ 5,649,415</b>	
<b>OTHER REVENUE DEDUCTIONS</b>				
403 Depreciation Expense	\$ 710,837	\$ (29,615)	\$ 681,222	Remove Nixon Well, reduction for test yr. adj. add expense for 15th intertie & China Hat
406 Amort of Plant Acquisition Adjustment	\$ -	\$ -	\$ -	
407 Amortization Expense	\$ -	\$ -	\$ -	
408.11 Property Tax	\$ 291,713	\$ (8,287)	\$ 283,426	Disallow property value increase of 3%, allow increase for Juniper assets
408.12 Payroll Tax	\$ 172,114	\$ (3,291)	\$ 168,823	Disallow 2% inflation factor, allow estimated increase for new engineer
408.13 Other	\$ 120,478	\$ (2,362)	\$ 118,116	Disallow 2% inflation factor.
409.10 Federal Income Tax	\$ 639,623	\$ (80,304)	\$ 559,319	Reduced federal tax rate from 35% to 34%
409.11 Oregon Income Tax	\$ 150,313	\$ (25,828)	\$ 124,485	Automatic calculation
409.13 Extraordinary Items Income Tax	\$ -	\$ -	\$ -	
<b>TOTAL REVENUE DEDUCTIONS</b>	<b>\$ 7,912,209</b>	<b>\$ (327,403)</b>	<b>\$ 7,584,806</b>	
<b>Net Operating Income</b>	<b>\$ 1,481,581</b>	<b>\$ (119,323)</b>	<b>\$ 1,362,258</b>	
<b>UTILITY RATE BASE</b>				
101 Utility Plant in Service	\$ 53,031,537	\$ (27,061)	\$ 53,004,476	Rmv Nixon well, add China Hat and 15th Street Intertie actual cost, correction to CIAC
105 Construction Work in Progress	\$ -	\$ -	\$ -	
108 - Accumulated Depreciation of Plant	\$ 16,126,159	\$ 258,129	\$ 16,384,288	cor rate model to reflect adj to Accumulated Amortization of CIAC & add Juniper deprec.
271 - Contributions in Aid of Construction	\$ 24,182,210	\$ 481	\$ 24,182,691	to reflect corresponding CIAC adj to Utility Plant in Service
272 + Accumulated Amortization of CIAC	\$ 6,296,525	\$ 242,511	\$ 6,539,036	Adjust to add one year of CIAC amortization that was excluded by rate model
281 - Accumulated Deferred Income Tax	\$ 276,620	\$ 2,886	\$ 279,506	Add to ADIT to reflect Avion amount in 2016 Annual Report
- Excess Capacity	\$ -	\$ -	\$ -	
<b>= NET RATE BASE INVESTMENT</b>	<b>\$ 18,743,073</b>	<b>\$ (46,046)</b>	<b>\$ 18,697,027</b>	
Plus: (working capital)				
151 Materials and Supplies Inventory	\$ 201,321	\$ -	\$ 201,321	
Working Cash (Total Op Exp /12)	\$ 485,110	\$ (14,325)	\$ 470,785	
<b>TOTAL RATE BASE</b>	<b>\$ 19,429,504</b>	<b>\$ (60,371)</b>	<b>\$ 19,369,133</b>	
<b>Rate of Return</b>	7.63%	0.00%	7.03%	

CASE: UW 171  
WITNESS: MALIA BROCK

**PUBLIC UTILITY COMMISSION  
OF  
OREGON**

**STAFF EXHIBIT 103**

**Exhibits in Support of Testimony**

**October 16, 2017**



Avion Water Company, Inc.  
Docket No. UW 171  
Test Year: 2016

**Invested Plant**

Acct No.	Account Description	C	D	E	F	G	H	I	AJ	AK	AL	AM	AN	AO	AP	AQ
		Date Acquired	Utility Plant Orig Cost	Less Excess Capacity Adj to Plant	Total Adj Plant	NARUC Asset Life	Annual Deprec	Final Month of Deprec	2010	2011	2012	2013	2014	2015	2016	Accumulated Deprec. Ending 2016
<b>301</b>	<b>Organization</b>															
	Organization	Jul 1979	211		211	0	0		0	0	0	0	0	0	0	211
					0	0	0		0	0	0	0	0	0	0	0
					0	0	0		0	0	0	0	0	0	0	0
					0	0	0		0	0	0	0	0	0	0	0
<b>302</b>	<b>Franchises</b>				0	0	0		0	0	0	0	0	0	0	0
					0	0	0		0	0	0	0	0	0	0	0
					0	0	0		0	0	0	0	0	0	0	0
					0	0	0		0	0	0	0	0	0	0	0
<b>303</b>	<b>Land and Land Rights</b>															
	Land and Land Rights	Jul 1979	11,772		11,772	0	0		0	0	0	0	0	0	0	11,772
	Land and Land Rights	Jul 1979	12,615		12,615	0	0		0	0	0	0	0	0	0	12,615
	Land and Land Rights	Jul 1979	7,498		7,498	0	0		0	0	0	0	0	0	0	7,498
	Land and Land Rights	Jul 2000	1,000		1,000	0	0		0	0	0	0	0	0	0	1,000
	Land and Land Rights	Jul 2001	25,737		25,737	0	0		0	0	0	0	0	0	0	25,737
	Land and Land Rights	Aug 2002	1,241		1,241	0	0									
	Land and Land Rights	Aug 2002	6,240		6,240	0	0		0	0	0	0	0	0	0	6,240
	Land and Land Rights	Jul 2005	24,364		24,364	0	0		0	0	0	0	0	0	0	24,364
	Land and Land Rights	Jan 2006	5,444		5,444	0	0		0	0	0	0	0	0	0	5,444
	Land and Land Rights	Jan 2006	1,051		1,051	0	0		0	0	0	0	0	0	0	1,051
	Land and Land Rights	Feb 2006	2,041		2,041	0	0		0	0	0	0	0	0	0	2,041
	Land and Land Rights	Feb 2006	500		500	0	0		0	0	0	0	0	0	0	500
	Land and Land Rights	Apr 2006	2,250		2,250	0	0		0	0	0	0	0	0	0	2,250
	Land and Land Rights	Jun 2006	5,725		5,725	0	0		0	0	0	0	0	0	0	5,725
	Land and Land Rights	Aug 2006	1,349		1,349	0	0		0	0	0	0	0	0	0	1,349
	Land and Land Rights	Oct 2006	2,051		2,051	0	0		0	0	0	0	0	0	0	2,051
	Land and Land Rights	Jul 2007	231,555		231,555	0	0		0	0	0	0	0	0	0	231,555
	Land and Land Rights	Jul 2007	8,727		8,727	0	0		0	0	0	0	0	0	0	8,727
	Land and Land Rights	Sep 2007	361,985		361,985	0	0		0	0	0	0	0	0	0	361,985
	Land and Land Rights	Sep 2007	423,400		423,400	0	0		0	0	0	0	0	0	0	423,400
	Land and Land Rights	Jun 2008	216,769		216,769	0	0		0	0	0	0	0	0	0	216,769
	Land and Land Rights	Jul 2009	166,966		166,966	0	0		0	0	0	0	0	0	0	166,966
	Land and Land Rights	Jul 2009	14,421		14,421	0	0		0	0	0	0	0	0	0	14,421
	Land and Land Rights	Jul 2010	38,573		38,573	0	0		0	0	0	0	0	0	0	38,573
	Land and Land Rights	Jul 2010	64,464		64,464	0	0		0	0	0	0	0	0	0	64,464
	Land and Land Rights	Jul 2010	15,902		15,902	0	0		0	0	0	0	0	0	0	15,902
	Land and Land Rights	Jul 2011	47,222		47,222	0	0		0	0	0	0	0	0	0	47,222
	Land and Land Rights	Jul 2011	37,494		37,494	0	0		0	0	0	0	0	0	0	37,494
	Land and Land Rights	Jul 2012	18,161		18,161	0	0		0	0	0	0	0	0	0	18,161
	Land and Land Rights	Jul 2012	38,786		38,786	0	0		0	0	0	0	0	0	0	38,786
	Land and Land Rights	Jul 2012	20,000		20,000	0	0		0	0	0	0	0	0	0	20,000
	Land and Land Rights	Jul 2013	9,980		9,980	0	0		0	0	0	0	0	0	0	9,980
	Land and Land Rights	Jul 2013	38,628		38,628	0	0		0	0	0	0	0	0	0	38,628
	Land and Land Rights	Jul 2013	121		121	0	0		0	0	0	0	0	0	0	121
	Land and Land Rights	Jul 2014	7,201		7,201	0	0		0	0	0	0	0	0	0	7,201
	Land and Land Rights	Jul 2014	16,325		16,325	0	0		0	0	0	0	0	0	0	16,325
	Land and Land Rights	Jul 2014	38,628		38,628	0	0		0	0	0	0	0	0	0	38,628
	Land and Land Rights	Jul 2015	61,900		61,900	0	0		0	0	0	0	0	0	0	61,900
	Land and Land Rights	Jul 2015	9,711		9,711	0	0		0	0	0	0	0	0	0	9,711
	Land and Land Rights	Jul 2015	38,628		38,628	0	0		0	0	0	0	0	0	0	38,628
	Land and Land Rights	Jul 2016	72,571		72,571	0	0		0	0	0	0	0	0	0	72,571
	Land and Land Rights	Jul 2016	19,314		19,314	0	0		0	0	0	0	0	0	0	19,314
	Land and Land Rights	Jul 2016	8,207		8,207	0	0		0	0	0	0	0	0	0	8,207
<b>304</b>	<b>Structures and Improvements</b>															
	Structures and Improvements	Jan 1976	5,774		5,774	35	165	Dec 2010	165	0	0	0	0	0	0	5,774
	Structures and Improvements	Jan 1980	9,298		9,298	35	266	Dec 2014	266	266	266	266	266	0	0	9,298
	Structures and Improvements	Jan 1981	585		585	35	17	Dec 2015	17	17	17	17	17	17	0	585
	Structures and Improvements	Jul 1981	7,414		7,414	35	212	Jun 2016	212	212	212	212	212	212	106	7,414

















Cross Connection Control (utility owned)	Jul 2015	15,946	15,946	15	1,063	Jun 2030	0	0	0	0	0	532	1,063	1,595	14,352
Cross Connection Control (utility owned)	Jul 2015	2,597	2,597	15	173	Jun 2030	0	0	0	0	0	87	173	260	2,337
Cross Connection Control (utility owned)	Jul 2015	216	216	15	14	Jun 2030	0	0	0	0	0	7	14	22	194
Cross Connection Control (utility owned)	Jul 2015	55	55	15	4	Jun 2030	0	0	0	0	0	2	4	6	50
Cross Connection Control (utility owned)	Jul 2015	323	323	15	22	Jun 2030	0	0	0	0	0	11	22	32	291
Cross Connection Control (utility owned)	Jul 2015	55	55	15	4	Jun 2030	0	0	0	0	0	2	4	6	50
Cross Connection Control (utility owned)	Jul 2015	55	55	15	4	Jun 2030	0	0	0	0	0	2	4	6	50
Cross Connection Control (utility owned)	Jul 2015	55	55	15	4	Jun 2030	0	0	0	0	0	2	4	6	50
Cross Connection Control (utility owned)	Jul 2015	486	486	15	32	Jun 2030	0	0	0	0	0	16	32	49	438
Cross Connection Control (utility owned)	Jul 2015	2,108	2,108	15	141	Jun 2030	0	0	0	0	0	70	141	211	1,897
Cross Connection Control (utility owned)	Jul 2015	163	163	15	11	Jun 2030	0	0	0	0	0	5	11	16	147
Cross Connection Control (utility owned)	Jul 2015	163	163	15	11	Jun 2030	0	0	0	0	0	5	11	16	147
Cross Connection Control (utility owned)	Jul 2015	1,569	1,569	15	105	Jun 2030	0	0	0	0	0	52	105	157	1,412
Cross Connection Control (utility owned)	Jul 2015	163	163	15	11	Jun 2030	0	0	0	0	0	5	11	16	147
Cross Connection Control (utility owned)	Jul 2016	19,649	19,649	15	1,310	Jun 2031	0	0	0	0	0	0	655	655	18,994
Cross Connection Control (utility owned)	Jul 2016	1,228	1,228	15	82	Jun 2031	0	0	0	0	0	0	41	41	1,187
Cross Connection Control (utility owned)	Jul 2016	614	614	15	41	Jun 2031	0	0	0	0	0	0	20	20	594
Cross Connection Control (utility owned)	Jul 2016	88	88	15	6	Jun 2031	0	0	0	0	0	0	3	3	85
Cross Connection Control (utility owned)	Jul 2016	88	88	15	6	Jun 2031	0	0	0	0	0	0	3	3	85
Cross Connection Control (utility owned)	Jul 2016	88	88	15	6	Jun 2031	0	0	0	0	0	0	3	3	85
Cross Connection Control (utility owned)	Jul 2016	789	789	15	53	Jun 2031	0	0	0	0	0	0	26	26	763
Cross Connection Control (utility owned)	Jul 2016	88	88	15	6	Jun 2031	0	0	0	0	0	0	3	3	85
Cross Connection Control (utility owned)	Jul 2016	2,719	2,719	15	181	Jun 2031	0	0	0	0	0	0	91	91	2,629
Cross Connection Control (utility owned)	Jul 2016	88	88	15	6	Jun 2031	0	0	0	0	0	0	3	3	85
Cross Connection Control (utility owned) (Juniper)	Mar 2017	30,000	30,000	15	2,000	Feb 2032	0	0	0	0	0	0	0	0	30,000
<b>339 Other Plant</b>															
Other Plant	Jul 1995	209,770	209,770	30	6,992	Jun 2025	6,992	6,992	6,992	6,992	6,992	6,992	6,992	150,335	59,435
Other Plant	Jul 2006	835	835	30	28	Jun 2036	28	28	28	28	28	28	28	292	543
			0	30	0		0	0	0	0	0	0	0	0	0
			0	30	0		0	0	0	0	0	0	0	0	0
<b>340 Office Furniture and Equipment</b>															
Office Furniture and Equipment	Jul 1991	48	48	20	2	Jun 2011	2	1	0	0	0	0	0	48	0
Office Furniture and Equipment	Jul 1994	10,623	10,623	20	531	Jun 2014	531	531	531	531	266	0	0	10,623	0
Office Furniture and Equipment	Jul 1995	12,933	12,933	20	647	Jun 2015	647	647	647	647	647	323	0	12,933	0
Office Furniture and Equipment	Jul 1996	625	625	20	31	Jun 2016	31	31	31	31	31	31	16	625	0
Office Furniture and Equipment	Jul 1997	14,728	14,728	20	736	Jun 2017	736	736	736	736	736	736	736	14,360	368
Office Furniture and Equipment	Jul 1998	4,130	4,130	20	206	Jun 2018	206	206	206	206	206	206	206	3,820	310
Office Furniture and Equipment	Jul 1999	23,388	23,388	20	1,169	Jun 2019	1,169	1,169	1,169	1,169	1,169	1,169	1,169	20,465	2,924
Office Furniture and Equipment	Jul 2000	6,899	6,899	20	345	Jun 2020	345	345	345	345	345	345	345	5,691	1,207
Office Furniture and Equipment	Jul 2002	22,569	22,569	20	1,128	Jun 2022	1,128	1,128	1,128	1,128	1,128	1,128	1,128	16,363	6,207
Office Furniture and Equipment	Mar 2003	5,813	5,813	20	291	Feb 2023	291	291	291	291	291	291	291	4,021	1,792
Office Furniture and Equipment	Jul 2003	28,009	28,009	20	1,400	Jun 2023	1,400	1,400	1,400	1,400	1,400	1,400	1,400	18,906	9,103
Office Furniture and Equipment	Jul 2004	11,201	11,201	20	560	Jun 2024	560	560	560	560	560	560	560	7,000	4,200
Office Furniture and Equipment	Jul 2005	3,338	3,338	20	167	Jun 2025	167	167	167	167	167	167	167	1,919	1,419
Office Furniture and Equipment	May 2006	1,160	1,160	20	58	May 2026	58	58	58	58	58	58	58	619	541
Office Furniture and Equipment	Apr 2007	2,000	2,000	20	100	Apr 2027	100	100	100	100	100	100	100	975	1,025
Office Furniture and Equipment	Jan 2008	587	587	20	29	Jan 2028	29	29	29	29	29	29	29	264	323
Office Furniture and Equipment	Oct 2011	2,571	2,571	20	129	Oct 2031	0	32	129	129	129	129	129	675	1,896
Office Furniture and Equipment	Jan 2013	6,471	6,471	20	324	Jan 2033	0	0	324	324	324	324	324	1,294	5,177
Office Furniture and Equipment	Jun 2013	770	770	20	39	Jun 2033	0	0	0	22	39	39	39	138	632
Office Furniture and Equipment	May 2015	780	780	20	39	May 2035	0	0	0	0	0	26	39	65	715
<b>341 Transportation Equipment</b>															
Transportation Equipment	Jul 1998	13,129	13,129	7	1,876	Jun 2005	0	0	0	0	0	0	0	13,129	0
Transportation Equipment	Jul 1998	15,232	15,232	7	2,176	Jun 2005	0	0	0	0	0	0	0	15,232	0
Transportation Equipment	Jul 2002	26,775	26,775	7	3,825	Jun 2009	0	0	0	0	0	0	0	26,775	0
Transportation Equipment	Jul 2003	23,827	23,827	7	3,404	Jun 2010	1,702	0	0	0	0	0	0	23,827	0
Transportation Equipment	Jul 2004	5,250	5,250	7	750	Jun 2011	750	375	0	0	0	0	0	5,250	0
Transportation Equipment	Jul 2004	2,250	2,250	7	321	Jun 2011	321	161	0	0	0	0	0	2,250	0
Transportation Equipment	Jul 2004	22,524	22,524	7	3,218	Jun 2011	3,218	1,609	0	0	0	0	0	22,524	0
Transportation Equipment	Jul 2005	26,042	26,042	7	3,720	Jun 2012	3,720	3,720	1,860	0	0	0	0	26,042	0
Transportation Equipment	Jul 2005	23,090	23,090	7	3,299	Jun 2012	3,299	3,299	1,649	0	0	0	0	23,090	0
Transportation Equipment	Jul 2006	21,923	21,923	7	3,132	Jul 2013	3,132	3,132	3,132	1,566	0	0	0	21,923	0
Transportation Equipment	Nov 2006	20,215	20,215	7	2,888	Nov 2013	2,888	2,888	2,888	2,407	0	0	0	20,215	0
Transportation Equipment	Dec 2006	20,781	20,781	7	2,969	Dec 2013	2,969	2,969	2,969	2,721	0	0	0	20,781	0
Transportation Equipment	Sep 2008	22,151	22,151	7	3,164	Sep 2015	3,164	3,164	3,164	3,164	3,164	2,110	0	22,151	0
Transportation Equipment	Apr 2009	29,054	29,054	7	4,151	Apr 2016	4,151	4,151	4,151	4,151	4,151	4,151	1,038	29,054	0
Transportation Equipment	Jan 2010	203	203	7	29	Jan 2017	29	29	29	29	29	29	29	203	0
Transportation Equipment	Jan 2011	35,673	35,673	7	5,096	Jan 2018	0	5,096	5,096	5,096	5,096	5,096	5,096	30,577	5,096
Transportation Equipment	Jun 2011	1,382	1,382	7	197	Jun 2018	0	115	197	197	197	197	197	1,102	280
Transportation Equipment	Sep 2011	36,730	36,730	7	5,247	Aug 2018	0	1,749	5,247	5,247	5,247	5,247	5,247	27,985	8,745
Transportation Equipment	Sep 2011	6,395	6,395	7	914	Sep 2018	0	305	914	914	914	914	914	4,872	1,523

Transportation Equipment	Aug 2012	35,951	35,951	7	5,136	Aug 2019	0	0	2,140	5,136	5,136	5,136	5,136	22,683	13,268
Transportation Equipment	Dec 2012	29,250	29,250	7	4,179	Dec 2019	0	0	348	4,179	4,179	4,179	4,179	17,063	12,188
Transportation Equipment	Jan 2013	125	125	7	18	Dec 2019	0	0	0	18	18	18	18	71	54
Transportation Equipment	Feb 2013	5,126	5,126	7	732	Feb 2020	0	0	0	671	732	732	732	2,868	2,258
Transportation Equipment	Feb 2013	234	234	7	33	Feb 2020	0	0	0	31	33	33	33	131	103
Transportation Equipment	Jun 2013	172	172	7	25	Jun 2020	0	0	0	14	25	25	25	88	84
Transportation Equipment	Jun 2013	32,609	32,609	7	4,658	Jun 2020	0	0	0	2,717	4,658	4,658	4,658	16,693	15,916
Transportation Equipment	Dec 2013	33,933	33,933	7	4,848	Dec 2020	0	0	0	404	4,848	4,848	4,848	14,947	18,986
Transportation Equipment	Apr 2014	26,053	26,053	7	3,722	Apr 2021	0	0	0	0	2,791	3,722	3,722	10,235	15,818
Transportation Equipment	May 2014	1,757	1,757	7	251	May 2021	0	0	0	0	167	251	251	669	1,088
Transportation Equipment	Jun 2014	5,000	5,000	7	714	Jun 2021	0	0	0	0	417	714	714	1,845	3,155
Transportation Equipment	Dec 2014	34,789	34,789	7	4,970	Dec 2021	0	0	0	0	414	4,970	4,970	10,354	24,435
Transportation Equipment	Jan 2015	509	509	7	73	Jan 2022	0	0	0	0	73	73	73	145	364
Transportation Equipment	Jan 2015	564	564	7	81	Jan 2022	0	0	0	0	81	81	81	161	403
Transportation Equipment	Feb 2015	980	980	7	140	Feb 2022	0	0	0	0	0	128	140	268	712
Transportation Equipment	Jan 2016	37,858	37,858	7	5,408	Jan 2023	0	0	0	0	0	0	5,408	5,408	32,450
Transportation Equipment	Jan 2016	40,558	40,558	7	5,794	Jan 2023	0	0	0	0	0	0	5,794	5,794	34,764
Transportation Equipment	Jun 2016	38,077	38,077	7	5,440	Jun 2023	0	0	0	0	0	0	3,173	3,173	34,904
				0	0		0	0	0	0	0	0	0	0	0
				0	0		0	0	0	0	0	0	0	0	0
				0	0		0	0	0	0	0	0	0	0	0

<b>343</b>	<b>Tools, Shop, and Garage Equipment</b>														
Stores Equipment	Jan 1980	4,556	4,556	15	304	Dec 1994	0	0	0	0	0	0	0	4,556	0
Stores Equipment	Jul 1985	85	85	15	6	Jun 2000	0	0	0	0	0	0	0	85	0
Stores Equipment	Jun 2015	1,243	1,243	15	83	Jun 2030	0	0	0	0	0	48	83	131	1,112
Tools, Shop, and Garage Equipment	Jan 1980	968	968	15	65	Dec 1994	0	0	0	0	0	0	0	968	0
Tools, Shop, and Garage Equipment	Jul 1981	52	52	15	3	Jun 1996	0	0	0	0	0	0	0	52	0
Tools, Shop, and Garage Equipment	Jul 1981	425	425	15	28	Jun 1996	0	0	0	0	0	0	0	425	0
Tools, Shop, and Garage Equipment	Jul 1982	813	813	15	54	Jun 1997	0	0	0	0	0	0	0	813	0
Tools, Shop, and Garage Equipment	Jul 1983	858	858	15	57	Jun 1998	0	0	0	0	0	0	0	858	0
Tools, Shop, and Garage Equipment	Jul 1984	1,713	1,713	15	114	Jun 1999	0	0	0	0	0	0	0	1,713	0
Tools, Shop, and Garage Equipment	Jul 1985	1,518	1,518	15	101	Jun 2000	0	0	0	0	0	0	0	1,518	0
Tools, Shop, and Garage Equipment	Jul 1986	2,317	2,317	15	154	Jun 2001	0	0	0	0	0	0	0	2,317	0
Tools, Shop, and Garage Equipment	Jul 1987	3,469	3,469	15	231	Jun 2002	0	0	0	0	0	0	0	3,469	0
Tools, Shop, and Garage Equipment	Jul 1988	2,621	2,621	15	175	Jun 2003	0	0	0	0	0	0	0	2,621	0
Tools, Shop, and Garage Equipment	Jul 1989	6,550	6,550	15	437	Jun 2004	0	0	0	0	0	0	0	6,550	0
Tools, Shop, and Garage Equipment	Jul 1990	632	632	15	42	Jun 2005	0	0	0	0	0	0	0	632	0
Tools, Shop, and Garage Equipment	Jul 1991	1,088	1,088	15	73	Jun 2006	0	0	0	0	0	0	0	1,088	0
Tools, Shop, and Garage Equipment	Jul 1992	560	560	15	37	Jun 2007	0	0	0	0	0	0	0	560	0
Tools, Shop, and Garage Equipment	Jul 1993	879	879	15	59	Jun 2008	0	0	0	0	0	0	0	879	0
Tools, Shop, and Garage Equipment	Jul 1994	825	825	15	55	Jun 2009	0	0	0	0	0	0	0	825	0
Tools, Shop, and Garage Equipment	Jul 1995	3,410	3,410	15	227	Jun 2010	114	0	0	0	0	0	0	3,410	0
Tools, Shop, and Garage Equipment	Jul 1996	342	342	15	23	Jun 2011	23	11	0	0	0	0	0	342	0
Tools, Shop, and Garage Equipment	Jul 1997	1,200	1,200	15	80	Jun 2012	80	80	40	0	0	0	0	1,200	0
Tools, Shop, and Garage Equipment	Jul 1998	3,081	3,081	15	205	Jun 2013	205	205	205	103	0	0	0	3,081	0
Tools, Shop, and Garage Equipment	Jul 1999	3,015	3,015	15	201	Jun 2014	201	201	201	201	101	0	0	3,015	0
Tools, Shop, and Garage Equipment	Jul 2000	3,988	3,988	15	266	Jun 2015	266	266	266	266	266	133	0	3,988	0
Tools, Shop, and Garage Equipment	Jul 2002	5,225	5,225	15	348	Jun 2017	348	348	348	348	348	348	348	5,051	174
Tools, Shop, and Garage Equipment	Mar 2003	903	903	15	60	Feb 2018	60	60	60	60	60	60	60	833	70
Tools, Shop, and Garage Equipment	Jul 2003	3,155	3,155	15	210	Jun 2018	210	210	210	210	210	210	210	2,840	316
Tools, Shop, and Garage Equipment	Jan 2004	12,786	12,786	15	852	Dec 2018	852	852	852	852	852	852	852	11,081	1,705
Tools, Shop, and Garage Equipment	Jul 2005	6,194	6,194	15	413	Jun 2020	413	413	413	413	413	413	413	4,749	1,445
Tools, Shop, and Garage Equipment	Nov 2006	3,955	3,955	15	264	Nov 2021	264	264	264	264	264	264	264	2,680	1,274
Tools, Shop, and Garage Equipment	Apr 2010	814	814	15	54	Apr 2025	41	54	54	54	54	54	54	366	448
Tools, Shop, and Garage Equipment	Apr 2010	1,035	1,035	15	69	Apr 2025	52	69	69	69	69	69	69	466	569
Tools, Shop, and Garage Equipment	Jul 2011	800	800	15	53	Jul 2026	0	27	53	53	53	53	53	293	507
Tools, Shop, and Garage Equipment	Jul 2011	1,500	1,500	15	100	Jul 2026	0	50	100	100	100	100	100	550	950
Tools, Shop, and Garage Equipment	Jul 2011	1,500	1,500	15	100	Jul 2026	0	50	100	100	100	100	100	550	950
Tools, Shop, and Garage Equipment	Jul 2011	500	500	15	33	Jul 2026	0	17	33	33	33	33	33	183	317
Tools, Shop, and Garage Equipment	Nov 2012	694	694	15	46	Nov 2027	0	8	46	46	46	46	46	193	501
Tools, Shop, and Garage Equipment	Jul 2013	3,130	3,130	15	209	Jun 2028	0	0	0	104	209	209	209	730	2,399
Tools, Shop, and Garage Equipment	Jul 2013	936	936	15	62	Jul 2028	0	0	0	31	62	62	62	218	717
Tools, Shop, and Garage Equipment	Jul 2013	998	998	15	67	Jul 2028	0	0	0	33	67	67	67	233	765
Tools, Shop, and Garage Equipment	Sep 2013	12,100	12,100	15	807	Sep 2028	0	0	0	269	807	807	807	2,689	9,411
Tools, Shop, and Garage Equipment	Sep 2013	3,207	3,207	15	214	Sep 2028	0	0	0	71	214	214	214	713	2,494
Tools, Shop, and Garage Equipment	Oct 2013	530	530	15	35	Oct 2028	0	0	0	9	35	35	35	115	415
Tools, Shop, and Garage Equipment	Feb 2014	1,578	1,578	15	105	Feb 2029	0	0	0	0	96	105	105	307	1,271
Tools, Shop, and Garage Equipment	Jun 2015	2,720	2,720	15	181	Jun 2030	0	0	0	0	0	106	181	287	2,433
Tools, Shop, and Garage Equipment	Jun 2015	6,326	6,326	15	422	Jun 2030	0	0	0	0	0	246	422	668	5,658
Tools, Shop, and Garage Equipment	Jan 2016	1,150	1,150	15	77	Jan 2031	0	0	0	0	0	0	77	77	1,073
Tools, Shop, and Garage Equipment	Feb 2016	1,417	1,417	15	94	Feb 2031	0	0	0	0	0	0	87	87	1,330
Tools, Shop, and Garage Equipment	Jun 2016	1,575	1,575	15	105	Jun 2031	0	0	0	0	0	0	61	61	1,514



Electronic/Computer Equipment	Nov 2014	1,614	1,614	5	323	Nov 2019	0	0	0	0	54	323	323	700	915	
Electronic/Computer Equipment	Dec 2014	1,084	1,084	5	217	Dec 2019	0	0	0	0	18	217	217	452	632	
Electronic/Computer Equipment	Dec 2014	1,084	1,084	5	217	Dec 2019	0	0	0	0	18	217	217	452	632	
Electronic/Computer Equipment	Jun 2015	2,382	2,382	5	476	Jun 2020	0	0	0	0	0	278	476	754	1,628	
Electronic/Computer Equipment	Jun 2015	1,564	1,564	5	313	Jun 2020	0	0	0	0	0	182	313	495	1,069	
Electronic/Computer Equipment	Jan 2016	3,246	3,246	5	649	Jan 2021	0	0	0	0	0	0	649	649	2,597	
Electronic/Computer Equipment	Jan 2016	3,182	3,182	5	636	Jan 2021	0	0	0	0	0	0	636	636	2,545	
Electronic/Computer Equipment	Feb 2016	1,149	1,149	5	230	Feb 2021	0	0	0	0	0	0	211	211	938	
<b>348 Miscellaneous Equipment</b>																
Miscellaneous Equipment	Jul 1994	1,900	1,900	10	190	Jun 2004	0	0	0	0	0	0	0	1,900	0	
Miscellaneous Equipment	Jul 2002	725	725	10	73	Jun 2012	73	73	36	0	0	0	0	725	0	
Miscellaneous Equipment	Jan 2003	554	554	10	55	Jan 2013	55	55	55	0	0	0	0	554	0	
Miscellaneous Equipment	Apr 2008	2,457	2,457	10	246	Apr 2018	246	246	246	246	246	246	246	2,150	307	
Miscellaneous Equipment	Feb 2009	770	770	10	77	Feb 2019	77	77	77	77	77	77	77	609	160	
Miscellaneous Equipment	Jul 2011	3,523	3,523	10	352	Jul 2021	0	176	352	352	352	352	352	1,938	1,585	
Miscellaneous Equipment	Oct 2011	3,600	3,600	10	360	Oct 2021	0	90	360	360	360	360	360	1,890	1,710	
Miscellaneous Equipment	Feb 2012	815	815	10	82	Feb 2022	0	0	75	82	82	82	82	401	414	
Miscellaneous Equipment	Mar 2012	809	809	10	81	Mar 2022	0	0	67	81	81	81	81	391	418	
Miscellaneous Equipment	May 2012	729	729	10	73	May 2022	0	0	49	73	73	73	73	340	389	
Miscellaneous Equipment	Jun 2012	1,500	1,500	10	150	Jun 2022	0	0	87	150	150	150	150	687	812	
			0	10	0		0	0	0	0	0	0	0	0	0	
			0	10	0		0	0	0	0	0	0	0	0	0	
			0	10	0		0	0	0	0	0	0	0	0	0	
			0	10	0		0	0	0	0	0	0	0	0	0	
			0	10	0		0	0	0	0	0	0	0	0	0	
			0	10	0		0	0	0	0	0	0	0	0	0	
<b>TOTALS</b>		<b>28,821,784</b>	<b>0</b>	<b>28,821,784</b>	<b>0</b>		<b>526,798</b>	<b>543,083</b>	<b>567,239</b>	<b>601,804</b>	<b>636,148</b>	<b>635,805</b>	<b>665,603</b>	<b>9,651,466</b>	<b>19,169,077</b>	

Original Plant In Service Cost	28,821,784
Less: Excess Capacity	0
"Used & Useful" Plant	28,821,784
Less Accum Depreciation	9,651,466
<b>NET PLANT</b>	<b>19,170,318</b>

2016 Depreciation Expense	665,603
12 mo.s depr. on 2017 assets (excludes Nixon wel	15,618
UW 171 Depreciation Expense	681,221

CASE: UW 171  
WITNESS: MALIA BROCK

**PUBLIC UTILITY COMMISSION  
OF  
OREGON**

**STAFF EXHIBIT 104**

**Exhibits in Support of Testimony**

**October 16, 2017**



# ANNUAL RESULTS OF OPERATIONS REPORT

**SELECT COMPANY SIZE (based on Annual Revenue)**

Class A Water Utility  
(Annual Gross Revenue of \$1,000,000 or more)

**FOR THE CALENDAR YEAR**

2016

**COMPANY NAME**

Avion Water Company, Inc.

OREGON PUBLIC UTILITY COMMISSION  
PO BOX 1088  
SALEM OR 97308-1088

REV 12/14/16

Instructions

Avion Water Company, Inc.

The Annual Results of Operations Report, required by the Public Utility Commission (PUC or Commission) under the authority of the Oregon Revised Statutes (ORS) 757.125 and 757.135, is based on the utility's operations for a calendar or fiscal year and is a convenient method for the Commission's staff to monitor the utility's results of operations. It must be filed electronically with the PUC on or before April 1<sup>st</sup> of the year following that for which the report is made. Attach the completed report and any supplementary pages to an email addressed to the following address: [puc.filingcenter@state.or.us](mailto:puc.filingcenter@state.or.us).

- Interpret all accounting words and phrases in accordance with the USOA.
- Special or unusual entries and all discrepancies should be fully explained. If necessary, describe fully any unusual entries and discrepancies in a narrative explanation in the tab titled "Notes."
- If the utility has filed, or intends to file, a separate rate schedule in its tariff for non-contiguous portions of its water system, separate accounting for Operating Revenues, Operating Expense, Plant Investments, and related Reserve for Depreciation must be maintained by the utility for each portion of the water system relating to each separate rate schedule. This annual report, however, should include the combined financial data for the utility.
- Each incorporated utility is requested to file with this report a copy of its most recent annual report to stockholders, if one is prepared.
- All schedules that call for the balance at the beginning of the year should reflect the same end of year balance **exactly** as shown in the prior year's annual report. Any adjustments to the ending balances shown in the report for the previous year should be reflected in the current year's activity and reported along with an explanation in the annual report.

**FOR QUESTIONS ON EXCEL PROGRAM, ACCOUNTS, OR REPORTING, CONTACT GREG MILLER AT 503-373-7867 OR EMAIL AT [GREG.MILLER@STATE.OR.US](mailto:GREG.MILLER@STATE.OR.US)**

**Oath**

Avion Water Company, Inc.

**Complete Address of Reporting Utility**

Line 1:	60813 Parrell Road
Line 2:	
City:	Bend
State:	OR
Zip:	97702
phone:	(541) 382-5342
email:	rick@avionwater.com
fax:	(541) 382-5390
website:	avionwater.com

**Name and title of person responsible for report**

Name:	Richard C. Bailey
Title:	Secretary-Treasurer
Phone:	(541) 382-5342
Email:	rick@avionwater.com

**Oath & Signature**

THIS REPORT, INCLUDING ANY ACCOMPANYING SCHEDULES AND STATEMENTS, HAS BEEN EXAMINED BY ME, AND TO THE BEST OF MY KNOWLEDGE AND BELIEF, IS TRUE, CORRECT AND COMPLETE.

<input checked="" type="checkbox"/> By clicking this box I affirm the above statement.
--



**Information**

Avion Water Company, Inc.

**Provide the following information for the contact person regarding this report**

Name:	Richard C. Bailey
Address:	60813 Parrell Road, Bend, OR 97702
Phone:	(541) 382-5342
Email:	rick@avionwater.com

**Provide the following information for where the utility's books and records are located**

Name:	Richard C. Bailey
Address:	60813 Parrell Road, Bend, OR 97702
Phone:	(541) 382-5342
Email:	rick@avionwater.com

**Provide the following information of any audit group reviewing records and/or operations**

Name:	Price/Fronk & Co
Address:	2796 NW Clearwater Drive, Bend, OR 97703
Phone:	(541) 382-4791
Email:	price@bendcpa.com

Date of original organization of the utility (month, day, year):

**Provide the following information for all utility officers and directors**

Name	Title	Phone #	Email
Jason J. Wick	President/Director	(541) 382-5342	jason@avionwater.com
Jan M. Wick	Exec. Vice Pres./Chairman	(541) 382-5342	jan@avionwater.com
Richard C. Bailey	Secretary-Treasurer	(541) 382-5342	rick@avionwater.com
Christine M. Wick	Director	(541) 382-5342	
David L. Nelsen	Director	(503) 704-5543	
Jordan Wick	Director	(503) 639-0300	

**Provide the following information for legal counsel, accountants, and others not on utility's general payroll**

Name	Title	Phone #	Email
Kyle D. Wuepper, Brix Law LLP	Attorney	(541) 617-1309	kwuepper@brixlaw.com
Wesley B. Price III, Price/Fronk & Co.	CPA	(541) 382-4791	price@bendcpa.com

Organization

Avion Water Company, Inc.

<b>Select business type</b>	<b>Select ownership type</b>	<b>Select accounting method</b>
Private/Investor Owned	Corporation	accrual

INSTRUCTIONS: IF THE UTILITY IS A SOLE PROPRIETORSHIP OR PARTNERSHIP, COMPLETE PART A AND PROVIDE THE NAMES AND ADDRESSES OF ALL PERSONS HAVING ANY INTEREST OR EQUITY IN THE UTILITY AND THE AMOUNT OF SUCH EQUITY. IF THE UTILITY IS A CORPORATION, COMPLETE PARTS B AND C, AND PROVIDE THE NAMES AND ADDRESSES OF THE THREE LARGEST STOCKHOLDERS AND ALL OFFICERS AND DIRECTORS. STATE THE NUMBER OF SHARES HELD BY EACH.

**Part A: Sole Proprietorship or Partnership**

1	Name of owner or partner		
	Address		
	% interest or equity		
	Principal duty (if employed by company)		

**Part B: Corporation**

1	Name of stockholder/director/officer		Jan M. Wick
	Title		Stockholder/Chairman of the Board/Exec. Vice President
	Address		60813 Parrell Road, Bend, OR 97702
	# shares owned		17,275.00
2	Name of stockholder/director/officer		Christine M. Wick
	Title		Stockholder/Director
	Address		60813 Parrell Road, Bend, OR 97702
	# shares owned		17,615.00
3	Name of stockholder/director/officer		David L. Nelsen
	Title		Stockholder/Director
	Address		14927 N.E. Newport Street, Portland, OR 97023
	# shares owned		4,500.00
4	Name of stockholder/director/officer		Jordan Wick
	Title		Stockholder/Director
	Address		5335 Meadows Road, Suite 370, Lake Oswego, OR 97035
	# shares owned		23,500.00
5	Name of stockholder/director/officer		Jason J. Wick
	Title		Stockholder/Director/President
	Address		60813 Parrell Road, Bend, OR 97702
	# shares owned		27,750.00
6	Name of stockholder/director/officer		Leah E. Wick
	Title		Stockholder
	Address		5335 Meadows Road, Suite 370, Lake Oswego, OR 97035
	# shares owned		1,200.00
7	Name of stockholder/director/officer		Adam Wick
	Title		Stockholder
	Address		5335 Meadows Road, Suite 370, Lake Oswego, OR 97035
	# shares owned		1,200.00
8	Name of stockholder/director/officer		Joseph Wick
	Title		Stockholder
	Address		60813 Parrell Road, Bend, OR 97702
	# shares owned		1,200.00

**Part C: Corporation - Shares Outstanding**

	<u>Common Stock</u>	<u>Preferred Stock</u>
# shares authorized	100000	
# shares issued at year end	94240	
Par or stated value per share:	\$ 0.4767	
Dividends declared per share during the year:	\$ (9)	

**Affiliates**

Avion Water Company, Inc.

List each contract, agreement, or other business transaction exceeding a cumulative amount of \$500 in any one year, entered into between the company and an affiliated business or financial organization, firm, partnership, or individual. For a definition of affiliated, see ORS 757.015.

**Products or Services SOLD to Affiliated Interests**

Name of Affiliate	Description of product or service	Contract or Agreement effective date	Revenue
N/A			
			\$ -

**Products or Services PURCHASED from Affiliated Interests**

Name of Affiliate	Description of product or service	Contract or Agreement effective date	Cost
Jan M. Wick	Salary and benefits	Order #07-081	\$ 176,382
Jan and Christine Wick	Guarantee Fee	Order #07-417	\$ 46,848
Jason J. Wick	Salary and benefits		\$ 197,895
Jason J. Wick	Guarantee Fee		\$ 46,848
Jordan Wick	Guarantee Fee		\$ 46,848
			\$ 514,821
<b>TOTAL</b>			<b>\$ (514,821)</b>

**Explanations or Notes**

Revenues

Avion Water Company, Inc.

gal or cf  
cf

**Consumption and Revenue**

	Act #	# customers at year beginning	# customers at year end	Total Quantity water sold	revenues
Unmetered (flat rate) water sales	460				
Metered sales to RESIDENTIAL customers	461.1	12,157	12,522	276,896,483	\$ 6,561,397
Metered sales to COMMERCIAL customers	461.2	305	298	42,332,114	\$ 799,030
Metered sales to INDUSTRIAL customers	461.3				
Other metered sales to public authorities	461.4				
Metered sales to multiple family dwellings	461.5				
Public fire protection revenue	462.1				\$ 29,048
Private fire protection revenue	462.2				
Other Sales to public authorities	464				
Sales to irrigation customers	465	789	791		\$ 372,174
Sales for resale	466				\$ 28,417
Water Sales to golf course/recreation revenue	467				
Special contract/agreement revenue	468				
<b>TOTAL</b>		<b>13,251</b>	<b>13,611</b>	<b>319,228,597</b>	<b>\$ 7,790,066</b>

**Revenue other than water sales**

	Act #	revenues
Forfeited discounts	470	
Miscellaneous service revenues	471	\$ 104,521
Rents from water property	472	
Interdepartmental rents	473	
Other	474	\$ 187,176
Cross Connection sales & services revenues	475	\$ 244,535
<b>Total</b>		<b>\$ 536,232</b>

Total Operating Revenue  
\$ 8,326,298

**Average Monthly Consumption and Bill**

	Act #	Average Monthly Consumption per customer	Average Monthly Revenue per customer
Unmetered (flat rate) water sales	460		
Metered sales to RESIDENTIAL customers	461.1	1869.987189	44.31160771
Metered sales to COMMERCIAL customers	461.2	11700.41846	220.8485351
Metered sales to INDUSTRIAL customers	461.3		
Other metered sales to public authorities	461.4		
Metered sales to multiple family dwellings	461.5		
Public fire protection revenue	462.1		
Private fire protection revenue	462.2		
Other Sales to public authorities	464		
Sales to irrigation customers	465		39.25886076
Sales for resale	466		
Water Sales to golf course/recreation revenue	467		
Special contract/agreement revenue	468		

**Taxes & property sales**

Avion Water Company, Inc.

Act #	TAXES OTHER THAN INCOME TAX		
408.11	Property Tax	\$	276,248
408.12	Payroll Tax	\$	164,541
408.13	Other Tax Other Than Income Tax	\$	118,116
408.2	Nonutility Taxes Other Than Income Tax		
	TOTAL	\$	558,905

Act #	INCOME TAXES		
409.1	Federal Income Tax	\$	495,614
409.11	State Income Tax	\$	119,951
409.13	Other Income Tax		
409.2	Nonutility Income Tax		
	TOTAL	\$	615,565

Act #	DEFERRED AND PROVISION FOR DEFERRED INCOME TAXES		
410.1	Deferred Federal Income Taxes – Utility Operations	\$	(210,397)
410.11	Deferred State Income Taxes – Utility Operations	\$	(66,223)
410.2	Provision for Deferred Income Taxes – Other Income and Deductions		
411.1	Provision for Deferred Income Taxes – Credit – Utility Operations		
411.2	Provision for Deferred Income Taxes – Credit – Other income & Deductions		
	TOTAL	\$	(276,620)

**GAINS AND LOSSES FROM UTILITY PROPERTY SALE - ACCOUNT 414 (enter losses as negative amounts)**

Description	Amount
Scrap	\$ 1,318
Service trucks	\$ 110
Total	\$ 1,428

Expenses

Avion Water Company, Inc.

Act #		Expense amount
601	Salaries and Wages - employees	\$ 1,564,370
603	Salaries and Wages – officers, directors, and majority stockholders	\$ 471,168
604	Employee Pensions & Benefits	\$ 774,888
610	Purchased Water	\$ 267,361
611	Telephone/Communications	\$ 52,676
615	Purchased Power	\$ 898,402
616	Fuel for Power Production	\$ -
617	Utilities - Other (garbage, natural gas)	\$ 7,739
618	Chemicals & testing	\$ -
619	Office Supplies (excluding postage)	\$ 7,206
619.1	Postage	\$ 5,265
620	Materials & Supplies (O&M)	\$ 329,115
621	Repairs of Water Plant	\$ 115,545
631	Contractual Services - engineering	\$ 3,322
632	Contractual Services - accounting	\$ 15,078
633	Contractual Services - legal	\$ 22,626
634	Contractual Services - management	\$ -
635	Contractual Services – testing / sampling	\$ 47,246
636	Contractual Services – labor	\$ -
637	Contractual Services - billing/collections	\$ 88,882
638	Contractual Services - meter reading	\$ 133,551
639	Contractual Services - other	\$ 60,993
641	Rental of Building / Real Property	\$ 23,615
642	Rental of Equipment	\$ 3,026
643	Small Tools	\$ 5,880
648	Computer and electronic Expenses	\$ 30,612
650	Transportation Expenses	\$ 148,709
656	Insurance - Vehicle	\$ 15,762
657	Insurance – General Liability	\$ 41,481
658	Insurance – Workman’s Compensation	\$ 24,782
659	Insurance – Other	\$ 10,094
660	Public Relation / Advertising Expense	\$ -
666	Amortization of Rate Case Expense	\$ -
667	Regulatory Commission Fee (Gross Rev Fee)	\$ 22,376
668	Conservation Expense	\$ 15,906
670	Bad Debt Expense	\$ 23,647
671.1	Cross Connection Control Program Expense	\$ -
671.2	Cross Connection Testing & Maintenance Services	\$ -
673	Training & Certification Expense	\$ 21,807
674	Consumer Confidence Report	\$ 8,695
675	Miscellaneous Expense	\$ 214,962
	TOTAL	\$ 5,476,787

Plant

Avion Water Company, Inc.

NOTE: Do **NOT** include any donated capital or contributions in aid of construction (CIAC) on this page.

Act #		Beg Year Balance	Added during year	Retired during year	Adjustments	End of year balance
301	Organization	\$ 211				\$ 211
302	Franchises	\$ -				\$ -
303	Land & land rights	\$ 2,077,424	\$ 100,091			\$ 2,177,515
304	Structures & improvements	\$ 1,635,616	\$ 2,773			\$ 1,638,389
305	Collecting & impounding reservoirs	\$ 4,769				\$ 4,769
306	Lake, river & other intakes	\$ 33,478				\$ 33,478
307	Wells & springs	\$ 1,566,682	\$ 157,029			\$ 1,723,711
308	Infiltration galleries & tunnels	\$ 106				\$ 106
309	Supply mains	\$ 430,208	\$ 3,499			\$ 433,707
310	Power generation equipment	\$ 1,203				\$ 1,203
311	Pumping equipment	\$ 1,618,916	\$ 8,427			\$ 1,627,343
320	Water treatment equipment	\$ 17,411				\$ 17,411
330	Distribution reservoirs & standpipes	\$ 3,645,948				\$ 3,645,948
331	Transmission & distribution mains	\$ 34,510,625	\$ 2,140,565			\$ 36,651,190
333	Services	\$ 1,241,112	\$ 2,975			\$ 1,244,087
334	Meters & meter installations	\$ 1,069,068	\$ 108,185	\$ 7,548		\$ 1,169,705
335	Hydrants	\$ 151,202	\$ 7,362			\$ 158,564
336	Backflow prevention devices (utility owned)	\$ 178,973	\$ 25,438			\$ 204,411
339	Other plant & miscellaneous equipment	\$ 210,713				\$ 210,713
340	Office furniture & equipment	\$ 158,976				\$ 158,976
341	Transportation equipment	\$ 600,098	\$ 116,493	\$ 40,424		\$ 676,167
343	Tools, shop & garage equipment	\$ 123,432	\$ 4,142			\$ 127,574
344	Laboratory equipment	\$ -				\$ -
345	Power operated equipment	\$ 155,154				\$ 155,154
346	Communication equipment	\$ 107,162	\$ 57,012			\$ 164,174
347	Electronic & computer equipment	\$ 194,266	\$ 7,576			\$ 201,842
348	Miscellaneous equipment	\$ 17,431				\$ 17,431
	TOTAL	\$ 49,750,184	\$ 2,741,569	\$ 47,972	\$ -	\$ 52,443,781

Explanation of unusual changes in utility plant during the year:

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Avion Water Company, Inc.

**Advances for Construction**

Beg of year balance	
Additions during year	
Subtractions during year	
End of year balance	\$ -

**Contributions in Aid of Construction**

Beg of year balance	\$ 23,989,306
Added during the year:	
Capacity charge	\$ 158,639
Main line extension charges	
Customer connection charges	
Developer's property	\$ 310,052
Other	
Retired during the year	
End of year balance	\$ 24,457,997

**Accumulated Amortization of CIAC**

Beg of year balance	\$ 5,767,601
Add CIAC amortized during year	\$ 528,924
Subtract effects of CIAC disposals	
+/- other adjustments*	
Change in Accumulated Amortization during the year	\$ 528,924
End of year balance	\$ 6,296,525

\* Explain any adjustments:



Depreciation

Avion Water Company, Inc.

NOTE: Do NOT include any contributions in aid of construction (CIAC) on this page.

<u>Act #</u>	<u>annual depreciation expense</u>	<u>acc dep balance beg of year</u>	<u>accruals booked to acc dep</u>	<u>plant retired charged to acc dep</u>	<u>Adjustments*</u>	<u>acc dep balance end of year</u>
301	Organization					
302	Franchises					
303	Land & land rights					
304	Structures & improvements	\$ 37,505	\$ 580,657	\$ 37,505		\$ 618,162
305	Collecting & impounding reservoirs	\$ 104	\$ 3,097	\$ 104		\$ 3,201
306	Lake, river & other intakes	\$ 669	\$ 18,961	\$ 669		\$ 19,630
307	Wells & springs	\$ 55,045	\$ 507,257	\$ 55,045		\$ 562,302
308	Infiltration galleries & tunnels	\$ 3	\$ 83	\$ 3		\$ 86
309	Supply mains	\$ 8,650	\$ 16,315	\$ 8,650		\$ 24,965
310	Power generation equipment	\$ 22	\$ 984	\$ 22		\$ 1,006
311	Pumping equipment	\$ 34,266	\$ 1,258,792	\$ 34,266		\$ 1,293,058
320	Water treatment equipment	\$ 871	\$ 3,301	\$ 871		\$ 4,172
330	Distribution reservoirs & standpipes	\$ 99,171	\$ 1,302,291	\$ 99,171		\$ 1,401,462
331	Transmission & distribution mains	\$ 709,425	\$ 9,019,738	\$ 709,425		\$ 9,729,163
333	Services	\$ 29,636	\$ 618,269	\$ 29,636		\$ 647,905
334	Meters & meter installations	\$ 49,785	\$ 445,251	\$ 49,785	\$ 7,548	\$ 487,488
335	Hydrants	\$ 3,467	\$ 64,721	\$ 3,467		\$ 68,188
336	Backflow prevention devices (utility owned)	\$ 12,780	\$ 72,130	\$ 12,780		\$ 84,910
339	Other plant & miscellaneous equipment	\$ 5,296	\$ 110,741	\$ 5,296		\$ 116,037
340	Office furniture & equipment	\$ 1,440	\$ 141,578	\$ 1,440		\$ 143,018
341	Transportation equipment	\$ 56,475	\$ 419,558	\$ 56,475	\$ 40,424	\$ 435,609
343	Tools, shop & garage equipment	\$ 4,307	\$ 84,347	\$ 4,307		\$ 88,654
344	Laboratory equipment		\$ -	\$ -		\$ -
345	Power operated equipment	\$ 5,240	\$ 112,689	\$ 5,240		\$ 117,929
346	Communication equip	\$ 2,585	\$ 90,972	\$ 2,585		\$ 93,557
347	Electronic & computer Equipment	\$ 11,771	\$ 162,314	\$ 11,771		\$ 174,085
348	Miscellaneous Equipment	\$ 1,420	\$ 10,152	\$ 1,420		\$ 11,572
	TOTAL	\$ 1,129,933	\$ 15,044,198	\$ 1,129,933	\$ 47,972	\$ 16,126,159

\*Explanation of any adjustments made:

**Retained Earnings**

Avion Water Company, Inc.

215	Unappropriated Retained Earnings (beginning of year balance)	\$ 10,687,770
435	Balance transferred from income	\$ 1,080,778
436	Appropriations of Retained Earnings	\$ -
437	Preferred Stock dividends declared	\$ -
438	Common Stock dividends declared	\$ (829,000)
439	Adjustments to Retained Earnings*	\$ 244,005
215	Unappropriated Retained Earnings (as of year end)	\$ 11,183,553

## Explanation of any adjustments made to Retained Earnings

Stock redemption = \$371,410; Federal and state taxes = \$615,415

Other Accounts

Avion Water Company, Inc.

For account information not already entered, please enter amounts below, if applicable.

Category Act # Act Name  
ASSETS AND OTHER DEBITS (101-190)

Utility Plant		
101	Utility Plant In Service	\$ 52,443,781
102	Utility Plant Leased to Others	
103	Property Held for Future Use	\$ 177,359
104	Utility Plant Purchased or Sold	
105	Construction Work in Progress - Commission Approved	\$ 25,194
108	Accumulated Depreciation of Utility Plant In Service	\$ 16,126,159
110	Accumulated Amortization of Utility Plant In Service	
114	Utility Plant Acquisition Adjustments	\$ 59,090
115	Accumulated Amortization of Utility Plant Acquisition Adjustments	
Other Property & Investments		
121	Nonutility Property	
122	Accumulated Depreciation and Amortization of Nonutility Property	
123	Investment in Associated Companies	
124	Utility Investments	
125	Other Investments	
127	Other Special Funds	
Current & Accrued Assets		
131	Cash	\$ 591,462
132	Special Deposits	
134	Working Funds	
135	Temporary Cash Investments	
141	Customer Accounts Receivable	
142	Other Accounts Receivable	\$ 301,734
143	Allowance for Uncollectible Accounts (Enter positive)	\$ 30,173
144	Notes Receivable	\$ 6,006
145	Accounts Receivable from Associated Companies	
146	Notes Receivable from Associated Companies	
151	Plant Materials and Supplies	\$ 201,321
162	Prepayments	\$ 69,832
171	Accrued Interest Receivable	
174	Miscellaneous Current and Accrued Assets	
Deferred Debits		
181	Unamortized Debt Discount and Expense	
182	Extraordinary Property Losses	
186	Miscellaneous Deferred Debits	\$ 24,634
190	Accumulated Deferred Income Taxes	
EQUITY, LIABILITIES, AND OTHER CREDITS (201-283)		
Equity		
201	Common Stock Issued	\$ 44,924
204	Preferred Stock Issued	\$ -
207	Premium on Capital Stock	\$ 180,630
211	Paid in Capital	
212	Discount on Capital Stock	
213	Capital Stock Expense	
214	Appropriated Retained Earnings	
215	Unappropriated Retained Earnings	\$ 11,183,553
216	Reacquired Capital Stock	\$ 75,000
218	Proprietary Capital	
Long Term Debt		
221	Bonds	
223	Advances from Associated Companies	
224	Other Long-Term Debt	\$ 7,940,333
Current and Accrued Liabilities		
231	Accounts Payable	\$ 95,439
232	Notes Payable	
233	Accounts Payable to Associated Companies	
234	Notes Payable to Associated Companies	
235	Customer Deposits	\$ 1,500
236	Accrued Taxes	\$ (137,580)
237	Accrued Interest	\$ 17,140
238	Accrued Dividends	
239	Matured Long-Term Debt	
240	Matured Interest	
241	Miscellaneous Current and Accrued Liabilities	\$ 57,164
Deferred Credits		
251	Unamortized Premium on Debt	
252	Advances for Construction	\$ -
253	Other Deferred Credits	
Operating Reserves		
261	Property Insurance Reserve	
262	Injuries and Damages Reserve	
263	Pensions and Benefits Reserve	
265	Miscellaneous Operating Reserves	
Contributions in Aid of Construction		
271	Contributions in Aid of Construction	\$ 24,457,997
272	Accumulated Amortization of CIAC	\$ 6,295,525
Accumulated Deferred Income Taxes		
281	Accumulated Deferred Income Taxes - Accelerated Depreciation	
282	Accumulated Deferred Income Taxes - Liberalized Depreciation	
283	Accumulated Deferred Income Taxes - Other	\$ 279,506
WATER UTILITY PLANT ACCOUNTS (301-348)		
301	Organization	\$ 211
302	Franchises	\$ -
303	Land and Land Rights	\$ 2,177,515
304	Structures and Improvements	\$ 1,638,389
305	Collecting and Impounding Reservoirs	\$ 4,769
306	Lakes, River and Other Intakes	\$ 33,478
307	Wells and Springs	\$ 1,723,711
308	Infiltration Galleries and Tunnels	\$ 106
309	Supply Mains	\$ 433,707
310	Power Generation Equipment	\$ 1,203
311	Pumping Equipment	\$ 1,627,343
320	Water Treatment Equipment	\$ 17,411
330	Distribution Reservoirs and Standpipes	\$ 3,645,948
331	Transmission and Distribution Mains	\$ 36,651,190
333	Services	\$ 1,244,087
334	Meters and Meter Installations	\$ 1,169,705
335	Hydrants	\$ 158,564
336	Backflow Prevention Devices	\$ 204,411
339	Other Plant and Miscellaneous Equipment	\$ 210,713
340	Office Furniture and Equipment	\$ 158,976
341	Transportation Equipment	\$ 676,167
343	Tools, Shop and Garage Equipment	\$ 127,574
344	Laboratory Equipment	\$ -

345	Power Operated Equipment	\$ 155,154
346	Communication Equipment	\$ 164,174
347	Computer & Electronic Equipment	\$ 201,842
348	Miscellaneous Equipment	\$ 17,431
INCOME ACCOUNTS (404-434)		
Utility Operating Income		
400	Operating Revenue	\$ 8,326,298
401	Operating Expenses	\$ 5,476,787
403	Depreciation Expense	\$ 1,129,933
406	Amortization of Utility Plant Acquisition Adjustment	
407	Amortization Expense (no CIAC)	
408	Taxes Other than Income	\$ 558,905
409	Income Taxes	\$ 615,565
410	Provision for Deferred Income Taxes - Debit	\$ (278,620)
411	Provision for Deferred Income Taxes - Credit	\$ -
412	Investment Tax Credit	
413	Income from Utility Plant Leased to Others	
414	Gain/Loss from Utility Property Sales	\$ 1,428
415	Revenues from Merchandising, Jobbing, and Contract Work	\$ 78,632
416	Cost and Expenses of Merchandising, Jobbing, and Contract Work	\$ 49,177
419	Interest and Dividend Income	\$ 186
421	Nonutility Income	
426	Nonutility Expenses	\$ 18,290
433	Extraordinary Income	
434	Extraordinary Deductions	
Taxes Applicable to Nonutility Income and Deductions		
408.2	Taxes Other than Income - Nonutility	\$ -
409.2	Income Taxes - Nonutility	\$ -
410.2	Provision for Deferred Income Taxes - Debit - Nonutility	\$ -
411.2	Provision for Deferred Income Taxes - Credit - Nonutility	\$ -
Interest Expense		
427	Interest Expense	\$ 282,703
428	Amortization of Debt Discount and Expense	
429	Amortization of Premium on Debt	
Retained Earnings Account (435-439)		
435	Balance Transferred from Income	\$ 1,080,778
436	Appropriations of Retained Earnings	
437	Preferred Stock Dividends Declared	\$ -
438	Common Stock Dividends Declared	\$ (829,000)
439	Adjustment to Retained Earnings	\$ 244,005
OPERATING REVENUE ACCOUNTS (460-475)		
460	Unmetered Water Revenue	\$ -
461.1	Metered Sales to Residential Customers	\$ 6,561,397
461.2	Metered Sales to Commercial Customers	\$ 799,030
461.3	Metered Sales to Industrial Customers	\$ -
461.4	Metered Sales to Public Authorities	\$ -
461.5	Metered Sales to Multiple Family Dwellings	\$ -
462.1	1. Public Fire Protection	\$ 29,048
462.2	2. Private Fire Protection	\$ -
464	Other Sales to Public Authorities	\$ -
465	Sales to Irrigation Customers	\$ 372,174
466	Sales for Resale	\$ 28,417
467	Interdepartmental Sales	\$ -
468	Special Contract/Agreement Revenue	\$ -
470	Forfeited Discounts	\$ -
471	Miscellaneous Service Revenues	\$ 104,521
472	Rents from Water Property	\$ -
473	Interdepartmental Rents	\$ -
474	Other Water Revenues	\$ 187,176
475	Cross Connection Sales & Services Revenues	\$ 244,535
OPERATION AND MAINTENANCE EXPENSE ACCOUNTS (601-675)		
Source of Supply and Expenses		
601	Salaries and Wages - Employees	\$ 1,566,370
603	Salaries and Wages - Officers, Directors and Majority Stockholders	\$ 471,168
604	Employee Pensions and Benefits	\$ 774,888
610	Purchased Water	\$ 267,361
611	Telephone/Communications	\$ 52,678
615	Purchased Power	\$ 898,402
616	Fuel for Power Production	\$ -
617	Utilities - Other	\$ 7,739
618	Chemicals & Testing	\$ -
619	Office Supplies (excluding postage)	\$ 7,206
619.1	Postage	\$ 5,265
620	Materials and Supplies	\$ 329,115
621	Repairs to Water Plant	\$ 115,545
631	Contractual Services - Engineering	\$ 3,322
632	Contractual Services - Accounting	\$ 15,078
633	Contractual Services - Legal	\$ 22,626
634	Contractual Services - Management Fees	\$ -
635	Contractual Services - Testing/Sampling	\$ 47,246
636	Contractual Services - Other	\$ -
637	Contractual Services - Billing/Collections	\$ 88,882
638	Contractual Services - Meter Reading	\$ 133,551
639	Contractual Services - Other	\$ 60,993
641	Rental of Building/Real Property	\$ 23,615
642	Rental of Equipment	\$ 3,028
643	Small Tools	\$ 5,880
648	Computer & Electronic Expenses	\$ 30,612
650	Transportation Expenses	\$ 148,709
656	Insurance - Vehicle	\$ 15,762
657	Insurance - General Liability	\$ 41,481
658	Insurance - Workman's Compensation	\$ 24,782
659	Insurance - Other	\$ 10,094
660	Public Referrals / Advertising Expense	\$ -
666	Regulatory Commission Expense - Amortization of Rate Case Expense	\$ -
667	Regulatory Commission Expense - Other	\$ 22,376
668	Water Resource Conservation Expense	\$ 15,906
670	Bad Debt Expense	\$ 23,647
671.1	Cross Connection Control Program Expense	\$ -
671.2	Cross Connection Testin & Maintenance Services	\$ -
672	System Capacity Development Program Expense	\$ -
673	Training & Certification Expense	\$ 21,807
674	Consumer Confidence Report	\$ 8,695
675	Miscellaneous Expenses	\$ 214,962

Notes

Avion Water Company, Inc.

Notes and explanations:

Income Statement

Avion Water Company, Inc.

400 Operating Revenue	\$ 8,326,298
401 Operating Expenses	\$ 5,476,787
403 Depreciation Expense	\$ 601,009
406 Amortization of Utility Plant Acquisition Adjustment	\$ -
407 Amortization Expense	\$ -
408 Taxes Other Than Income Taxes (total)	\$ 558,905
409 Income Taxes	\$ 615,565
410.1 Provision for Deferred Income Taxes - debit	\$ (276,620)
411.1 Provision for Deferred Income Taxes - credit	\$ -
412 Investment Tax Credit	\$ -
413 Income From Utility Plant Leased to Others	\$ -
419 Interest & Dividend Income	\$ 186
427 Interest Expense	\$ 282,703
428-429 Amortization of Premium/Discount on Debt	\$ -
414 Gains/Losses From Utility Property Disposition (net)	\$ 1,428
433-434 Extraordinary Income/deductions (net)	\$ -
NET UTILITY OPERATING INCOME	\$ 1,069,563
421 Nonutility Income	\$ -
415 Revenue From Merchandising, Jobbing, & Contracts	\$ 78,632
426 Nonutility Expense	\$ 18,290
408.2 Nonutility Taxes Other Than Income Tax	\$ -
409.2 Nonutility Income Taxes	\$ -
410.2 Nonutility Deferred Income Taxes	\$ -
411.2 Nonutility Provision for Deferred Income Taxes Credit	\$ -
416 Cost & Expense of Merchandising, Jobbing, Contracts	\$ 49,127
Net Income	\$ 1,080,778

## Balance Sheet

Avion Water Compa

**Please do not submit to PUC until figures are balanced.**

101 Utility Plant in Service (excluding CIAC)	\$	52,443,781
108-110 Accumulated Depreciation & Amortization	\$	16,126,159
Subtotal	\$	36,317,622
102-104 Other Utility Plant	\$	177,359
105 Commission Approved Construction Work in Progress (CWIP)	\$	25,194
114 Commission Approved Utility Plant Acquisition Adjustments	\$	59,090
115 Accumulated Amortization of Commission Approved Acquisition Adjustments	\$	-
190 Accumulated Deferred Income Taxes (asset)	\$	-
Subtotal	\$	261,643
Net Utility Plant	\$	36,579,265
131 Cash	\$	591,462
132 Special Deposits	\$	-
141-142 Accounts Receivable	\$	301,734
143 Accumulated Provision for Uncollectible Accounts	\$	30,173
144 Notes Receivable	\$	6,006
145-146 Accounts & Notes Receivable from Associated Companies	\$	-
151 Materials & Supplies Inventory	\$	201,321
133-135 & 162-174 Miscellaneous Current & Accrued Assets & Prepayments	\$	69,832
Net Current & Accrued Assets	\$	1,140,182
181-186 Deferred Debits	\$	24,634
Total Assets	\$	37,744,081
252 Advances for Construction	\$	-
271 CIAC	\$	24,457,997
272 Accumulated Amortization of CIAC	\$	6,296,525
Net CIAC & Advances for Construction	\$	18,161,472
121 Nonutility Property	\$	-
122 Accumulated Depreciation & Amortization (Nonutility)	\$	-
123-127 Miscellaneous Nonutility Investments	\$	-
Nonutility Plant & Investment	\$	-
221-224 Long-Term Debt	\$	7,940,333
231 Accounts Payable	\$	95,439
232 Notes Payable	\$	-
233 Accounts Payable to Affiliated Companies	\$	-
234 Notes Payable to Affiliated companies	\$	-
235 Customer Deposits	\$	1,500
236 Accrued Taxes	\$	(137,580)
237 Accrued Interest	\$	12,140
238-241 Miscellaneous Current and Accrued Liabilities	\$	57,164
Liabilities	\$	7,968,996
251 Premium on Unamortized Debt	\$	-
253 Other Deferred Credit	\$	-
261-265 Reserves	\$	-
Other	\$	-
281 Accumulated Deferred Income Taxes-Accelerated Amortization	\$	-
282 Accumulated Deferred Income Taxes-Liberalized Depreciation	\$	-
283 Accumulated Deferred Income Taxes-Other	\$	279,506
Total Liabilities	\$	8,248,502
201 Common Stock Issued	\$	44,924
204 Preferred Stock Issued	\$	-
207 Premium on Capital Stock	\$	180,630
211 Other Paid in Capital	\$	-
212 Discount on Capital Stock	\$	-
213 Capital Stock Expense	\$	-
214 Appropriated Retained Earnings	\$	-
215 Unappropriated Retained Earnings	\$	11,183,553
216 Reacquired Capital Stock	\$	75,000
218 Proprietary Capital (Proprietorships & Partnerships Only)	\$	-
Total Equity	\$	11,334,107
Total Liabilities and Equity	\$	37,744,081

Stats

Avion Water Company, Inc.

**Operating Revenues**

Flat Rate	\$	-
Metered - Residential	\$	6,561,397
Metered - Commercial	\$	799,030
Irrigation (including golf courses)	\$	372,174
Fire Protection	\$	29,048
Other Sales of Water	\$	28,417
Other Operating Revenue	\$	536,232
<b>Total Operating Revenues</b>	\$	<b>8,326,298</b>

**Operating Expenses**

Purchased Water	\$	267,361
Purchased Power	\$	898,402
Water Treatment	\$	47,246
Supplies and Expenses	\$	989,708
Repairs of Plant	\$	115,545
Administrative & General	\$	3,158,525
<b>Total Operating Expenses</b>	\$	<b>5,476,787</b>

**Other Revenue Deductions**

Depreciation & Amortization	\$	601,009
Operating Income Taxes	\$	338,945
Other Operating Taxes	\$	558,905
Uncollectible Revenue/Bad Debt Expense	\$	23,647
<b>Total Revenue Deductions</b>	\$	<b>1,522,506</b>
<b>Total Expenses and Deductions</b>	\$	<b>6,999,293</b>

Other Income	\$	186
Interest on Long-Term Debt		
Other Interest Charges	\$	282,703
Other Income Deductions	\$	276,620
<b>Net Operating Income (or Loss)</b>	\$	<b>767,868</b>

**Assets & Other Debits**

Utility Plant	\$	52,443,781
Less: Depreciation & Amortization Reserve	\$	16,126,159
Other Property & Investments	\$	591,462
Materials and Supplies	\$	201,321
Other Current & Accrued Assets	\$	609,042
Deferred Debits	\$	24,634
<b>Total Assets &amp; Other Debits</b>	\$	<b>37,744,081</b>

**Liabilities & Other Credits**

Capital/Common Stock	\$	150,554
Retained Earnings	\$	11,183,553
Long-Term Debt	\$	7,940,333
Customer Deposits	\$	1,500
Other Current & Accrued Liabilities	\$	27,163
Advances for Construction	\$	-
Other Deferred Credits	\$	-
Contributions in Aid of Construction	\$	18,161,472
Accumulated Deferred Income Taxes	\$	279,506
<b>Total Liabilities &amp; Other Credits</b>	\$	<b>37,744,081</b>

**Average Number of Customers**

Flat Rate	-
Metered - Residential	12,522
Metered - Commercial	298
Irrigation (including golf courses)	791
Fire Protection	-
Other	-
<b>Total Customers</b>	<b>13,611</b>

CASE: UW 171  
WITNESS: MALIA BROCK

**PUBLIC UTILITY COMMISSION  
OF  
OREGON**

**STAFF EXHIBIT 105**

**Exhibits in Support of Testimony**

**October 16, 2017**



Avion Water Company, Inc.  
UW 171

DR 115. Please provide supporting documentation that Avion faces a known and measurable increase to 2017 employee health care costs.

Avion Water Company, Inc. is currently paying \$43,448.30 per month for its group health insurance and \$3,191.40 per month for its group dental insurance, excluding COBRA premiums. Please see copies of the most current invoice for Providence Health Plans (Group health insurance) and PacificSource (group dental insurance). Avion's health insurance agent, Century Insurance Group, has provided a letter, also attached, as to what Avion can expect for premium increases upon renewal of the group policies. The letter instructs Avion to expect health insurance premium increases of between 11.2% to 16.5% for group health insurance and 10.0% for group dental insurance. Based upon this information, Avion expects group health insurance premium increases of between \$58,394.52 ( $\$43,448.30 \times 11.2\% \times 12$  months) to \$86,027.63 ( $\$43,448.30 \times 16.5\% \times 12$  months). Avion expects group dental premiums to increase by \$3,829.68 ( $\$3,191.40 \times 10\% \times 12$  months). Total expected insurance increases for 2018 are between \$62,224.20 ( $\$58,394.52 + \$3,829.68$ ) and \$89,857.31 ( $\$86,027.63 + \$3,829.68$ ).



**Billing Specialist:** SALLY DUNBAR  
**Phone:** (503) 574-6874

*Questions/Concerns?*

**Premium Billing Statement**

**Group #:** 108967  
**Group Name:** AVION WATER COMPANY INC  
**Subgroup #:** S001  
**Subgroup Name:** AVION WATER COMPANY INC  
**Attention:** BAILEY, RICK

**Page:** 5 of 5  
**Invoice #:** 172210000432  
**Invoice Date:** 08/09/2017  
**Payment Due Date:** 09/01/2017  
**Bill Period:** 09/01 thru 09/30/2017

**Adjustment Summary**

Adjustment Summary for Class:

<u>Plan ID</u>	<u>Plan Name</u>	<u>Subscribers</u>	<u>Dependents</u>	<u>Amount</u>
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Class Subtotals:

Grand Totals:

**Billing Summary**

ACTIVES

Billing Summary for Class: A001

<u>Plan ID</u>	<u>Plan Name</u>	<u>Subscribers</u>	<u>Dependents</u>	<u>Amount</u>
L001	Total	29	66	\$43,448.30
<b>Class Subtotals:</b>		<b>29</b>	<b>66</b>	<b>\$43,448.30</b>
<b>Grand Totals:</b>		<b>29</b>	<b>66</b>	<b>\$43,448.30</b>



Rick Bailey  
60813 Parrell Rd  
Bend, OR 97702  
(541) 382-5342 rick@avionwater.com

Effective Date: 1/1/2005 Due Date: 9/1/2017

**Benefit Premium Subtotal**

Benefit	Employee Premium	Dependent Premium	Fees/Other	Activity	Total Premium
Dental Product	\$1,284.36	\$1,984.88			\$3,269.24
<b>Totals</b>	\$1,284.36	\$1,984.88	\$0.00	\$0.00	\$3,269.24

**Totals**

Prior Balance Due	\$0.00
Current Total Premium	\$3,269.24
<b>Total Amount Due</b>	<b>\$3,269.24</b>

0.00

Total 3,269.24 +  
 COBRA prem. 77.84 -  
 000  
 Avion Current premium 3,191.40\*

ENTERED  
AUG 29 2017

This includes all activity processed through: 08/21/2017 Page 5 of 8  
MBJ01

Please detach and return below.



August 24, 2017

Rick Bailey  
Avion Water Company, Inc.  
60813 Parrell Rd  
Bend, OR 97702

RE: Providence Group Health Policy #108967  
PacificSource Group Dental Policy #G0012858

Hi Rick.

We are seeing increases with Providence that range from around 11.2% up to 16.5% and PacificSource dental around 10.0%.

I hope this helps to give you an idea of what to expect at your next renewal January 1.

If there is anything else we can help you with, just let us know.

Sincerely

Jeff Weichman  
Account Executive

Janice Magness  
Account Manager

CASE: UW 171  
WITNESS: MALIA BROCK

**PUBLIC UTILITY COMMISSION  
OF  
OREGON**

**STAFF EXHIBIT 106**

**Exhibits in Support of Testimony**

**October 16, 2017**

## ASSET PURCHASE AGREEMENT

Date: August 9, 2016

Parties CITY OF BEND, an Oregon municipal corporation (“City”)

AVION WATER COMPANY, INC., an Oregon corporation (“Avion”)

### RECITALS

**A.** In 2002, City condemned a water and sewer system commonly known as Juniper Utility. Juniper Utility assets included separate domestic water and irrigation water supply systems serving four neighborhoods (Tillicum Village, Nottingham Square, Timber Ridge and Mountain High (collectively, the “**Neighborhoods**”)), each of which is represented by a homeowners’ association (the “**Homeowners’ Associations**”). The water service for the Neighborhoods is subject to an Amended Settlement Agreement with the Homeowners’ Associations. The system acquired by City also serves other properties, including the Nativity Lutheran Church, Fellowship Bible Church, Crown Villa RV Park (“**Crown Villa**”), and The Pines Mobile Home Park (“**The Pines**”), but which were not covered by the Amended Settlement Agreement. The Homeowners’ Associations and many individual property owners have requested that City sell the domestic and irrigation water supply systems to Roats Water System, Inc. (“**Roats**”) and Avion. A map of the above-described areas is attached as Exhibit A.

**B.** City has agreed to transfer the right to provide water service to the Neighborhoods, Nativity Lutheran Church, the Blue Ridge subdivision and the Stonegate PUD, along with the water utility facilities within and serving those areas, to Avion and Roats. City has further agreed to transfer the associated Arnold Irrigation District water rights to Roats.

**C.** City currently has a contractual obligation with the Homeowners’ Associations to convert the current irrigation system to a single water system by 2016. The Neighborhoods want to retain the dual irrigation system. Roats and Avion are willing to continue to provide domestic and irrigation water with two separate systems. City makes no representations about the viability or efficiency of separate domestic water and irrigation systems.

**D.** Roats and Avion are private water utilities regulated by the Oregon Public Utility Commission (“**OPUC**”). Any acquisition of Juniper Utility assets would require approval by the OPUC.

**E.** City uses approximately 348 acres-equivalent of quasi-municipal water rights from Arnold Irrigation District (“**Arnold**”) to provide irrigation water to the Neighborhoods, and

pays Arnold an annual assessment of approximately \$37,000 for the current year. Arnold's description of the subject City-held water rights is shown on Exhibit B-3 (Arnold Irrigation District Assessment Notice).

**F.** Avion desires to purchase and City agrees to sell that portion of City's water system that serves the Nottingham Square subdivision and Stonegate PUD Phases 1, 3 and 4.

**G.** By separate agreement, Roats will purchase a portion of City's water system that serves the Tillicum Village, Timber Ridge and Mountain High areas, the Blue Ridge subdivision, and Crown Villa and The Pines, together with the Hole 10 real property and wells, and the irrigation system and the Arnold irrigation water rights held by City and described in Exhibit B-3.

**H.** City hired a consultant, FCS Group, which looked at both the maximum fair market value and minimum acceptable price, including initial acquisition costs for the Juniper Utility system less depreciation, to help determine the acquisition price for a public asset, which included an assessment of City capital improvements since acquisition, future project capital costs, operation and maintenance costs, projected net revenues, and a strategic analysis. Juniper Utility has had a complex and difficult history; the parties believe the purchase price is a fair reflection of their respective interests, and takes into consideration City's other ratepayers and the desires of the Neighborhoods.

**I.** Avion and City enter into this Asset Purchase Agreement (this "**Agreement**") as of the date above. City is also entering into a separate acquisition agreement, covering different service areas and at a different purchase price with Roats (the "**Roats Asset Purchase Agreement**").

**J.** City currently holds groundwater rights for municipal use that identify wells Hole Ten #1 and Hole Ten #2 as authorized points of appropriation. These City-held water rights are not being acquired by Roats or Avion as part of this Agreement.

## AGREEMENT

### SECTION 1. ASSETS PURCHASED; LIABILITIES ASSUMED

**1.1 Assets Purchased.** As of the Closing Date (as defined in Section 8.2 below), City transfers, assigns, and sells to Avion and Avion purchases and accepts from City, on the terms and conditions set forth in this Agreement, the assets, including easements and real property, described on Exhibit B (the "**Assets**").

**1.2 No Liabilities Assumed.** Avion has not agreed and does not accept any liabilities of City prior to the Closing Date.

### SECTION 2. PURCHASE PRICE FOR ASSETS

As consideration for the Assets, Avion agrees to:

**2.1** Pay City the sum \$400,000.00, representing the amount spent by City for capital improvements to the domestic water supply system after City's acquisition of Juniper Utility, pursuant to the terms of Section 3; and

**2.2** Provide domestic and irrigation water service to those Service Areas listed on Exhibit B from and after the Closing Date.

### **SECTION 3. PAYMENT OF PURCHASE PRICE**

Avion may either (1) pay the purchase price in full at the time of closing or (2) make payments as follows:

**3.1** No down payment shall be made at Closing.

**3.2** Interest-only payments at the rate of 6.5% per annum for three years from the Closing Date.

**3.3** On the third anniversary of the Closing Date, the then-outstanding balance shall be amortized over 20 years with level debt service payments at an interest rate equal to 6.5% per annum.

**3.4** The entire unpaid balance, both principal and interest, shall be due 20 years from the Closing Date.

**3.5** There is no prepayment penalty.

**3.6** The terms and conditions of Avion's installment payment obligation are set forth in the Promissory Note attached as Exhibit C (the "**Note**").

**3.7** In the event Avion should sell any of the Arnold irrigation water rights described in Exhibit B-3, other than to Roats or another successor servicing the Neighborhoods and other customers shown on Exhibit B, City shall receive the proceeds of such water rights sale, up to \$1,000.00 per acre, in addition to the purchase price paid by Avion for the Assets.

**3.8** Mountain High holds 4.62 acres of Arnold irrigation water rights, separate from the City-held Arnold irrigation water rights, and such Mountain High rights are not included in this Agreement.

### **SECTION 4. ADJUSTMENTS**

Property taxes for the tax year in which the transaction is closed, assessments, rents and utilities shall be prorated as of the Closing Date.

### **SECTION 5. CITY'S REPRESENTATIONS AND WARRANTIES**

As used in this Agreement, *Material Adverse Effect* means an adverse effect on the physical condition, operating results, or financial position of the Assets in excess of



\$50,000. *Material Adverse Change* means any change that has resulted, will result or is likely to result in a Material Adverse Effect.

City represents and warrants to Avion as follows:

**5.1 Organization and Authorization.** City is a municipality organized and validly existing under the laws of the state of Oregon. City has all power and authority necessary to execute and deliver this Agreement and to consummate the contemplated transactions. The execution and delivery of this Agreement and the consummation of the contemplated transactions have been duly and validly authorized by all necessary City action. This Agreement has been duly and validly executed and delivered by City and, assuming that this Agreement constitutes a valid and binding obligation of Avion, constitutes a valid and binding obligation of City, enforceable against City in accordance with its terms, except as enforceability may be limited by applicable bankruptcy, insolvency, moratorium or other similar laws affecting or relating to enforcement of creditors' rights generally or general principals of equity.

**5.2 Title to Assets.** City owns all right, title, and interest in and to the Assets free and clear of any pledges, liens, claims, charges, security interests, conditional and installment sale agreements, easements, restrictions, assignments, encumbrances or charges of any kind (each, an "**Encumbrance**," and collectively, the "**Encumbrances**") or other title defects or restrictions of any nature. City has the right, power and authority to convey, transfer, assign and deliver the Assets free and clear of any Encumbrance. Upon consummation of the contemplated transactions, Avion will have acquired good and marketable title in and to each of the Assets to be acquired by it, free and clear of all Encumbrances.

**5.3 Transfer Not Subject to Encumbrances or Third-Party Approval.** The execution and delivery of this Agreement by City, and the consummation of the contemplated transactions, will not result in the creation or imposition of any valid lien, charge, or encumbrance on any of the Assets, and will not require the authorization, consent, or approval of any third party, including any governmental subdivision or regulatory agency, other than OPUC.

**5.4 Non-cancellable Contracts.** There are no leases, employment contracts, contracts for services or maintenance, or other similar contracts existing or relating to or connected with the Assets.

**5.5 Litigation.** There are no claims, litigation, proceedings, or investigations pending or threatened against City that might result in any Material Adverse Change in the Assets being conveyed under this Agreement.

**5.6 Accuracy of Representations and Warranties.** None of the representations or warranties of City contain any untrue statement of material fact or omit or misstate a material fact. City knows of no fact that has resulted, or that in the reasonable judgment of City will result, in a Material Adverse Change in the Assets that has not been set forth in this Agreement or otherwise disclosed to Avion in writing. City

will notify Avion in writing of any Material Adverse Effect that occurs prior to the Closing Date.

## **SECTION 6. AVION'S REPRESENTATIONS AND WARRANTIES**

**6.1 Organization and Authorization.** Avion is an Oregon corporation organized and validly existing under the laws of the state of Oregon. Avion is a public utility regulated by OPUC pursuant to ORS Chapter 757. This Agreement has been validly entered into by Avion and, assuming that this Agreement constitutes a valid and binding obligation of City, constitutes a valid and binding obligation of Avion, enforceable against Avion in accordance with its terms, except as may be limited by applicable bankruptcy, insolvency or similar laws affecting or relating to enforcement of creditors' rights generally or general principals of equity. Avion represents that it is not subject to any pending or threatened litigation that would limit or affect its ability to enter into this transaction.

**6.2 Avion's Acknowledgement and Acceptance.** Avion represents and acknowledges that it has entered into this Agreement on the basis of its own examination, personal knowledge, and opinion of the value of the Assets and their operational and maintenance conditions. Avion has not relied on any representations made by City other than those specified in this Agreement. Avion further acknowledges that City has made no agreement or promise to repair or improve any of the Assets, and that Avion accepts the Assets in the condition existing on the Effective Date, except as otherwise provided in this Agreement. Avion is purchasing the Assets "as is". Avion acknowledges and agrees that:

a) It will operate the system in accordance with the franchise agreement it has with City, including meeting City standards for: (i) fire flow requirements; and (ii) hydrant spacing when Avion rebuilds or replaces system lines in the future.

b) It will conduct its business in accordance with the laws and regulations mandated by Oregon Health Authority for a utility serving the number of customers they serve now and in the future.

c) It has the ability, experience, financial planning, and future infrastructure master planning capacity to effectively operate the Assets serving the Neighborhoods and other areas supplied by the Assets, and is acquiring the Assets with the long-term intent to operate the Assets to provide service to the Neighborhoods and other customers shown on Exhibit B.

d) It will become Avion's obligation, as it makes needed investments to the irrigation water system, to work with and clearly communicate to the Neighborhoods and Homeowners' Associations regarding their respective responsibilities related to the irrigation water system infrastructure and the point(s) of delivery.

## SECTION 7. CONTINGENCIES

This Agreement is contingent upon the following occurring by the Closing Date:

7.1 Execution of the Roats Asset Purchase Agreement by City and Roats (anticipated to be concurrent).

7.2 OPUC approval.

7.3 Arnold approval.

7.4 Avion's acceptance in writing of any Material Adverse Effect disclosed by City.

7.5 Approval of the Agreement by the City Council after public hearing required for the sale of real and personal property under ORS 271.310 and Bend Code Chapter 1.50.

7.6 Amendment and/or Termination of the Third Amended Settlement Agreement to the 2011 and 2004 Settlement Agreements for Juniper Utility with the Homeowners' Associations, satisfactory to City, resolving City obligations under those agreements.

## SECTION 8. EFFECTIVE DATE AND CLOSING

8.1 **Effective Date.** This Agreement shall be effective when signed by both parties (the "Effective Date").

8.2 **Deliveries by City at Closing.** Closing shall be 10 days after the satisfaction of all contingencies, but no later than 5:00 p.m. on December 31, 2016 (the "Closing Date"); provided, however, the Closing Date can be extended with the approval of the City Council if necessary to allow time for Avion to obtain OPUC approval. Concurrently with the closing, City shall deliver to Avion:

(a) A bill of sale, deed, and assignment of easements transferring the Assets to Avion. From and after closing, City will further deliver any additional documents reasonably requested by Avion as may be necessary to confirm or evidence the transfer of the Assets (or any part of the Assets) to Avion.

(b) Possession of the Assets.

(c) Current billing data and records of payments from customers.

(d) Current preventative and corrective work orders for the Assets, together with system valve maps (if any), and maintenance records for the past three years.

**8.3 Deliveries by Avion at Closing.** Concurrently with the performance by City of its obligations described in Section 8.2, Avion will deliver to City the following:

(a) Either (1) the purchase price in full, or (2) the Note, duly executed by Avion.

(b) Such other certificates and documents as may be called for by the provisions of this Agreement.

## **SECTION 9. OPERATIONAL CONSIDERATIONS**

**9.1 Water Metering.** Upon this Agreement becoming effective, Avion will have the option, for their newly acquired customers, of keeping the presently installed automated meter reading (AMR) equipment in place or may remove it and return it to City. If Avion elects to keep the AMR equipment in place, City will provide the monthly data collected, for the newly acquired customers, to Avion in a format agreeable to both parties, free of charge, on a monthly basis. If the AMR equipment fails to operate, Avion has the choice of removing and disposing of the AMR equipment or working with the City on a mutually agreeable solution to resume AMR functions. City and Avion may, if mutually agreeable, enter into a separate agreement for the purpose of the City obtaining meter reads for the months of December, January, and February in order to determine the winter quarter average calculation as the basis of sewer volume charges to the City for all Avion customers within the City limits.

**9.2 Training/Assistance.** Due to the complex nature of the Juniper Utility irrigation system, Avion has requested assistance from City in becoming familiar with how to operate and maintain the system. City will provide up to 50 hours of training at an hourly rate of \$63.00 per hour. Any training requiring overtime will be billed at an overtime rate of \$97.00 per hour. This training will be available for twelve months after the Effective Date according to a schedule approved by all parties. Invoicing and payment for training will be done on a monthly basis. In addition to the paid training provided in this Section 9.2, for a period of 12 months following the Closing Date, City will respond, if available, to emergency calls to assist Avion in the location of valve cans or identification of the best way to isolate service breaks and minimize customer disruptions. Costs for this level of response will be the same as those for training with a one hour minimum fee applied to any request. Avion expressly agrees that it will not assert any claim against City based on the training or assistance provided or otherwise take the position in any litigation that any defect in the operation of the system is the result of any deficiency in training.

**9.3 Security.** Some of the Assets require an entry key. City and Avion will work cooperatively, within one week from the Closing Date, to remove City locks and replace with Avion locks.

**9.4 Right of Way (ROW) Work Collaboration.** City and Avion agree to meet semi-annually, in the months of July and December, to examine the possibility of coordinating ROW work. Parties agree that proper consideration of project timing may

result in project cost savings for both parties and reduce impacts to water and sewer customers.

**9.5 Easement Access.** Avion will grant City access within the easements included in the Assets for all necessary sewer work. Upon the completion of such work City will restore the surface of the easement area to the condition that existed prior to such work being performed.

## **SECTION 10. INDEMNIFICATION AND SURVIVAL**

**10.1 Survival of Representations and Warranties.** All representations and warranties made in this Agreement shall survive the closing of this Agreement, except that any party to whom a representation or warranty has been made in this Agreement shall be deemed to have waived any misrepresentation or breach of representation or warranty of which such party had knowledge before closing. Any party learning of a misrepresentation or breach of representation or warranty under this Agreement shall immediately give written notice thereof to all other parties to this Agreement.

**10.2 City's Indemnification.** To the extent permitted by law, City agrees to defend, indemnify and hold Avion, its successors, and assigns harmless from and against:

(a) Any and all claims, liabilities, and obligations of every kind and description, contingent or otherwise, arising out of or related to the operation of Juniper Utility prior to the Closing Date, except for claims, liabilities, and obligations of City expressly assumed by Avion under this Agreement; and

(b) Any and all damages or deficiencies resulting from any material misrepresentation, breach of warranty or covenant, or nonfulfillment of any agreement on the part of City under this Agreement (except for any damages or deficiencies arising as a result of the training provided by City under Section 9.2).

If any claim is asserted against Avion that would give rise to a claim by Avion against City for indemnification under the provisions of this Section 10.2, then Avion shall promptly give written notice to City concerning such claim and City shall, at no expense to Avion, defend the claim.

**10.3 Avion's Indemnification.** Avion agrees to defend, indemnify, and hold City harmless from and against:

(a) Any and all claims, liabilities, and obligations of every kind and description arising out of or related to the operation and maintenance of the Assets after the Closing Date or arising out of Avion's failure to perform any obligations of City expressly assumed by Avion pursuant to this Agreement; and

(b) Any and all damages or deficiencies resulting from any material misrepresentation, breach of warranty or covenant, or nonfulfillment of any agreement on the part of Avion under this Agreement.

If any claim is asserted against City that would give rise to a claim by City against Avion for indemnification under the provisions of this Section 10.3, then City shall promptly give written notice to Avion concerning such claim and Avion shall, at no expense to City, defend the claim.

## **SECTION 11. MISCELLANEOUS**

**11.1 Severability.** If any provision of this Agreement is held to be illegal or unenforceable in any respect, the enforceability of the provision in any other respect and of the remaining provisions will not be impaired unless the illegal or unenforceable provision affects a significant right or responsibility, in which case the adversely affected party may request renegotiation of the Agreement, and if negotiations fail, may terminate the Agreement.

**11.2 Waivers.** No waiver of any breach of any covenant or provision contained in this Agreement shall be deemed a waiver of any preceding or succeeding breach thereof, or of any other covenant or provision. No extension of time for performance of any obligation or act shall be deemed an extension of the time for performance of any other obligation or act.

**11.3 Assignment.** This Agreement and all of the provisions will be binding upon and inure to the benefit of the parties and their respective successors and assigns. No party may assign its rights under this Agreement to an affiliate, subsidiary or successor-in-interest of the party, without the express written consent of the other party.

**11.4 Attorney Fees.** In the event a party to this Agreement brings any action or suit against another party to this Agreement by reason of breach of any of the covenants, agreements, or provisions on the part of the other party arising out of this Agreement, then in that event the prevailing party shall be entitled to recover from the other party all costs and expenses of the action or suit, including actual attorney fees at trial and on appeal.

**11.5 Entire Agreement.** This Agreement (including any exhibits attached to it) is the final expression of, and contains the entire agreement between the parties with respect to the subject matter of the Agreement and supersedes all prior understandings with respect to it. This Agreement may not be modified, changed, supplemented, or terminated, nor may any obligations under it be waived, except by written instrument signed by the party to be charged or by its agent duly authorized in writing. The parties do not intend to confer any benefit on any person, firm, or corporation other than the parties hereto.

**11.6 Time of Essence.** City and Avion acknowledge and agree that time is strictly of the essence with respect to each and every term, condition, obligation and provision.

**11.7 Construction.** This Agreement shall not be construed as if it had been prepared by one of the parties, but rather as if both parties had prepared it. Unless otherwise indicated, all references to sections and subsections are to this Agreement. All

exhibits referred to in this Agreement are attached and incorporated by this reference. Unless otherwise specified, in computing any period of time described in this Agreement, the day of the act or event after which the designated period of time begins to run is not to be included and the last day of the period so computed is to be included, unless the last day is a Saturday, Sunday, or legal holiday, in which event the period shall run until the end of the next day which is neither a Saturday, Sunday, nor legal holiday.

**11.8 Governing Law.** The parties acknowledge that this Agreement has been negotiated and entered into in the state of Oregon. The parties expressly agree that this Agreement shall be governed by, interpreted under, construed, and enforced in accordance with the laws of the state of Oregon, excluding its choice of forum rules.

**11.9 Venue.** Any action or proceeding arising out of this Agreement will be litigated in courts located in Deschutes County, Oregon. Each party consents and submits to the jurisdiction of any local, state, or federal court located in Deschutes County, Oregon.

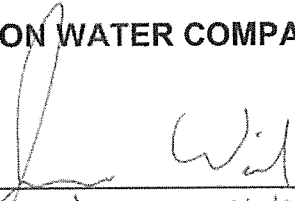
**11.10 Further Assurances.** The parties will sign other documents and take other actions reasonably necessary to further effect and evidence the transactions described in this Agreement.

**11.11 Counterparts; Facsimile Signatures.** This Agreement may be executed in any number of counterparts, each of which shall be an original, but such counterparts together shall constitute one and the same instrument. Facsimile transmission of any signed original document, and retransmission of any signed facsimile transmission, will be the same as delivery of any original.

**CITY OF BEND**

**AVION WATER COMPANY, INC.**

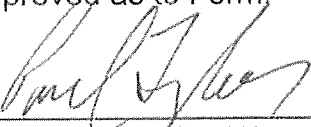
  
By: Erin King, City Manager

  
By: Jason Wick, President

Approved as to Form:

Approved as to Form:

  
Erin King  
Asst. City Attorney, City of Bend

  
Paul Byler  
Attorney for Avion Water Company, Inc.

Attached Exhibits:

- A – Map
- B – List of Assets
  - B-1 – Water Utility Easement Assignment
  - B-2 – Irrigation Water Easement Assignment

B-3 – Arnold Irrigation District Assessment Notice  
C – Promissory Note



### EXHIBIT A

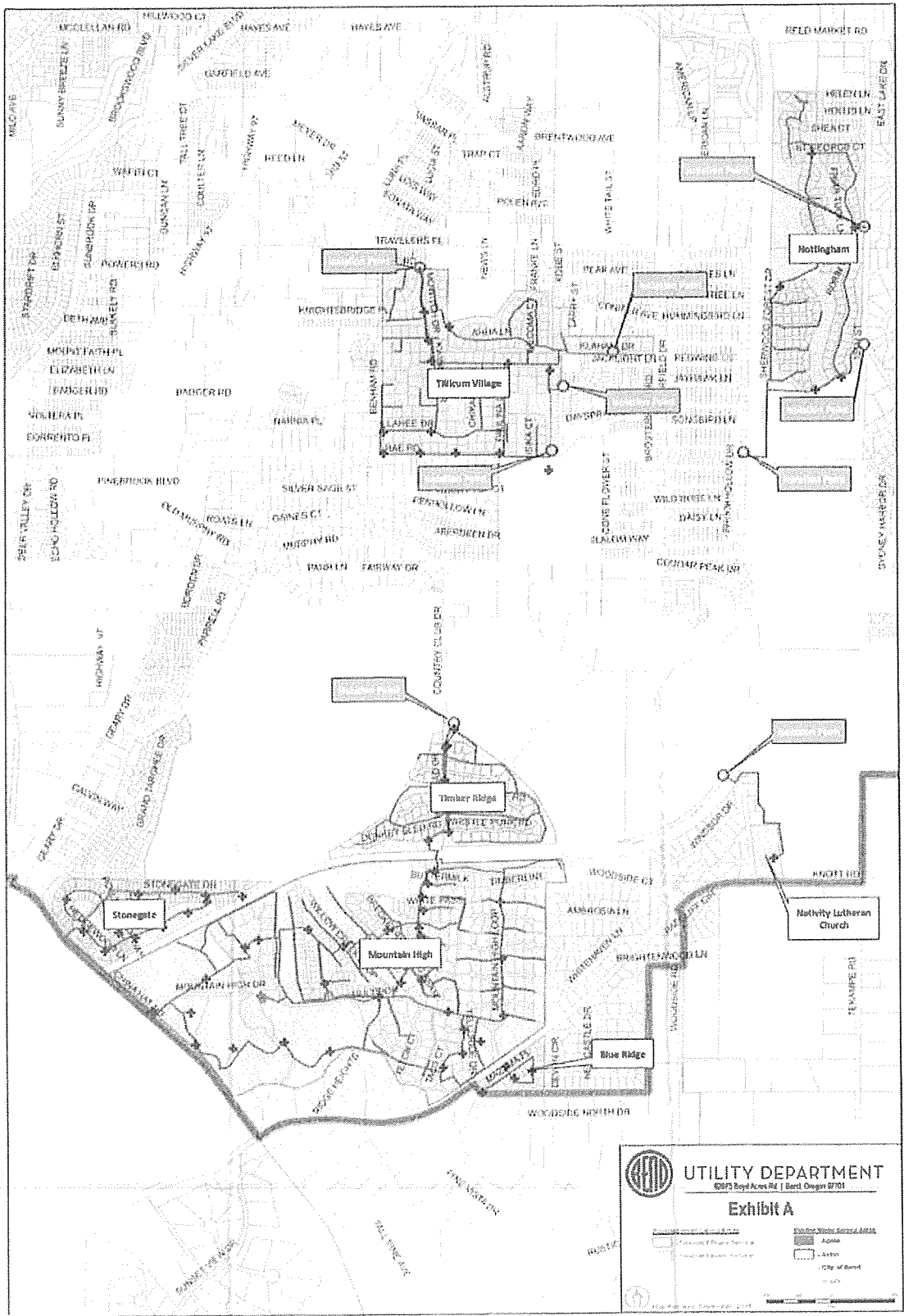


EXHIBIT A – ASSET PURCHASE AGREEMENT

**EXHIBIT B****Assets Transferred from the City of Bend to Avion Water Company, Inc.**Service Areas

Nottingham Square subdivision, Stonegate PUD Phases 1, 3 and 4

Easements

All water easements owned or held by the City of Bend within or serving the Nottingham Square subdivision and Stonegate PUD Phases 1, 3 and 4. The easements will be transferred by a document to be recorded in the form of the attached Exhibit B-1.

All water easements owned or held by the City of Bend related to the irrigation distribution system within or serving the Nottingham Square subdivision and Stonegate PUD Phases 1, 3 and 4. These easements will be transferred by a document to be recorded in the form of the attached Exhibit B-2. The exhibits to Exhibit B-2 are subject to change prior to the Closing Date to reflect the actual allocation of the irrigation easements between Avion and Roats.

Facilities

All water utility facilities owned or held by the City of Bend within the Nottingham Square subdivision and within Stonegate PUD Phases 1, 3 and 4.

All irrigation water facilities owned or held by the City of Bend within or serving the Nottingham Square subdivision and Stonegate PUD Phases 1, 3 and 4.

EXHIBIT B-1  
WATER UTILITY EASEMENT ASSIGNMENT

After recording, please return to:  
City of Bend  
710 NW Wall Street  
Bend, OR 97701

WATER UTILITY EASEMENT ASSIGNMENT

The City of Bend, an Oregon municipal corporation, assigns and transfers its interests in the water utility easements described in the attached Exhibit A to Avion Water Company, Inc.

DATE: \_\_\_\_\_

\_\_\_\_\_  
Grantor

STATE OF OREGON  
County of Deschutes

This instrument was acknowledged before me on \_\_\_\_\_, by  
\_\_\_\_\_ as \_\_\_\_\_ of \_\_\_\_\_.

\_\_\_\_\_  
Notary Public – State of Oregon

Accepted by the City of Bend

\_\_\_\_\_  
Engineering Manager

STATE OF OREGON  
County of Deschutes

This instrument was acknowledged before me on \_\_\_\_\_, by Eric King as City Manager of the City of Bend.

\_\_\_\_\_  
Notary Public – State of Oregon

## EXHIBIT B-1-A

All water utility easements currently owned or held by the City of Bend ("City") within the Nottingham Square and Nottingham Square First Addition subdivisions, including without limitation, the water utility easements described in this Exhibit A, together with all water easements in favor of the City of Bend shown on the plats for Stonegate PUD Phases 1, 3 and 4. Only water utility easements are transferred. To the extent that the City owns or holds general utility easement rights or water and sewer utility easement rights, the City retains and does not transfer sewer or other non-water utility easements. The water utility easements are more particularly described as follows:

1. All water utility easements transferred to the City as part of the Stipulated General Judgment on Remand in *City of Bend v. Juniper Utility Co.*, Deschutes County Circuit Court Case No. 02CV0202ST dated May 16, 2011 (the "General Judgment") as shown on General Judgment Exhibit 12, Sections 2 and 3:

2. All of Juniper Utility Co.'s interest in the easement from Ward Corporation of Bend and J.L. Ward Construction Co. to Juniper Utility Co. recorded February 27, 1976 in the Deschutes County Records of Deeds in Book 203 on Page 637.

3. All of Juniper Utility Co.'s interest in the easement over and across Nottingham Square, First Addition, Deschutes County, Oregon conveyed in the easement from Ward Corporation of Bend to Juniper Utility Co. recorded April 1, 1975 in the Deschutes County Records of Deeds in Book 217 on Page 116.

EXHIBIT B-2  
IRRIGATION WATER EASEMENT ASSIGNMENT

After recording, please return to:  
City of Bend  
710 NW Wall Street  
Bend, OR 97701

IRRIGATION WATER EASEMENT ASSIGNMENT

The City of Bend, an Oregon municipal corporation, assigns and transfers its interests in the irrigation water easements described in the attached Exhibit A to Avion Water Company, Inc.

DATE: \_\_\_\_\_

CITY OF BEND

\_\_\_\_\_  
Eric King, City Manager

STATE OF OREGON  
County of Deschutes

This instrument was acknowledged before me on \_\_\_\_\_, by Eric King as City Manager of the City of Bend.

## EXHIBIT B-2-A

All irrigation water utility easement interests currently owned or held by the City of Bend (City) in the easements within or serving those portions of the former Juniper Utility area consisting of the Nottingham Square subdivision and Stonegate PUD Phases 1, 3 and 4, including without limitation the easements described in this Exhibit A. Only irrigation water utility easements are transferred. To the extent that the City owns or holds utility easement rights that include easement rights for sewer or other utilities other than irrigation water utilities, the City retains and does not transfer those sewer or other non-water utility easement rights. The irrigation water utility easements are more particularly described as follows:

1. The easement transferred to the City as part of the Stipulated General Judgment on Remand in *City of Bend v. Juniper Utility Co*, Deschutes County Circuit Court Case No. 02CV0202ST dated May 16, 2011 (the "General Judgment") as shown on General Judgment Exhibit 2, Section 2:

2. All of Juniper Utility Co.'s interest in the easement from Iris Ward to Juniper Utility Co. recorded April 1, 1975 in the Deschutes County Records of Deeds in Book 217 on Page 105.

VOL 217 PAGE 106

A tract of land containing 32.11 acres, more or less, located in the Northwest one-quarter (NW $\frac{1}{4}$ ) of Section Sixteen (16), Township Eighteen (18) South, Range Twelve (12) East of the Willamette Meridian, Deschutes County, Oregon; the aforesaid tract of land being more particularly described as follows:

Commencing at the Northwest corner of said Section 16; thence South 89°59'35" East along the Southerly line of the plat of Tillicum Village in Deschutes County, Oregon, 581.5 feet, more or less, to the Southwesterly corner of the plat of Tillicum Village, Second Addition in Deschutes County, Oregon; thence South 89°59'35" East along the Southerly line of said plat of Tillicum Village Second Addition, 623.0 feet, more or less, to the true point of beginning of this description, said point also being the Northwesterly corner of that tract of land sold by unrecorded contract to the Administrative School District No. 1, Deschutes County, Oregon, (R. E. Jewell Elementary School); thence leaving said line of said plat South 20°21'22" East along the Westerly line of said school property 1020.55 feet; thence North 89°55'55" East along the Southerly line of said school property 385.00 feet to the Southeasterly corner of said school property; thence South 00°32'26" West 370.64 feet to the CE-NW 1/64 corner of said Section 16; thence South 00°32'26" West 206.73 feet to the Northeasterly corner of that tract of land recorded in Volume 156, Page 9, Deed Records, Deschutes County, Oregon; thence due West along the Northerly line of said tract 194.34 feet, to the Northwesterly corner of said tract; thence due North 206.06 feet to a point on the North line of the SE $\frac{1}{4}$ NW $\frac{1}{4}$  of said section 16; thence South 89°48'23" West along said line 431.54 feet; thence South 00°32'25" West 228.63 feet to a point on the Northerly line of that tract of land recorded in Volume 198, Page 940, Deed Records, Deschutes County, Oregon; thence North 64°15'28" West along said line 91.31 feet; thence South 70°06'34" West 126.23 feet; thence South 49°08'09" West 99.05 feet; thence leaving said line of said tract North 83°02'03" West 401.81 feet to a point on the Easterly line of that tract of land recorded in Volume 133, Page 47, Deed Records, Deschutes County, Oregon; thence North 00°32'24" East along said line 245.69 feet to the Northeasterly corner of said tract, said corner also being the C-W-NW 1/64 corner of said section, said point further being the Southeasterly corner of that tract of land recorded in Volume 150, Page 338, Deed Records, Deschutes County, Oregon; thence North

Exhibit "A"

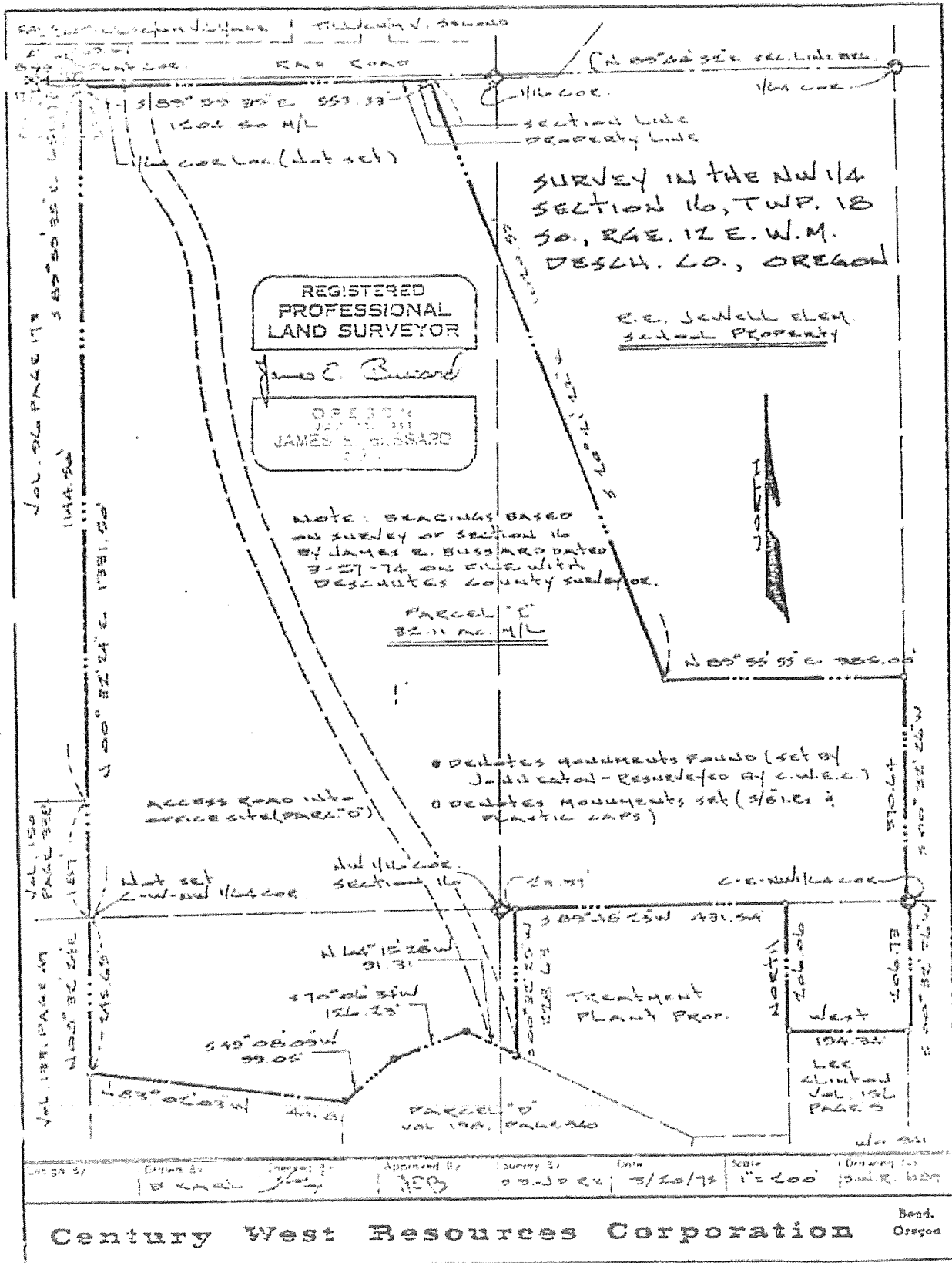


EXHIBIT B-2 – IRRIGATION UTILITY EASEMENT ASSIGNMENT



2. The easement transferred to the City as part of the General Judgment as shown on General Judgment Exhibit 5, Section 4:

12965


VOL 217 PAGE 114

EASEMENT

JAN WARD conveys to JUNIPER UTILITY COMPANY, an Oregon corporation, its assigns and permittees, easements for the installation and maintenance of all utilities (existing and future) over and across the real property described on Exhibit "A" which is attached hereto and by this reference made a part hereof.

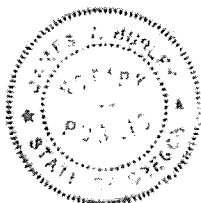
There is no consideration for this transfer.


DATED this 31 day of March, 1975.

  
\_\_\_\_\_  
JAN WARD

STATE OF OREGON, County of Deschutes, ss: March 31, 1975

Personally appeared JAN WARD and acknowledged the foregoing instrument to be his voluntary act. Before me:



  
\_\_\_\_\_  
NOTARY PUBLIC FOR OREGON  
My Commission Expires: 10/20/76

A tract of land containing 6.83 acres, more or less, lying in the South one-half of the Northwest one-quarter (S½NW¼) of Section Sixteen (16), Township Eighteen (18) South, Range Twelve (12) East of the Willamette Meridian, Deschutes County, Oregon, the aforesaid tract of land being more particularly described as follows:

Commencing at the West one-quarter corner of said section 16, thence North 237.30 feet and East 1459.18 feet to the true point of beginning of this description, said point being the most Westerly corner of that tract of land recorded in Volume 192, Page 312, Deed Records, Deschutes County, Oregon; thence North 67°09'34" West 100.80 feet; thence North 34°11'47" West 112.23 feet; thence North 61°50'26" West 92.76 feet; thence North 16°22'02" West 159.27 feet; thence North 05°52'47" East 232.27 feet; thence North 42°51'34" West 213.55 feet; thence North 03°22'37" East 88.24 feet; thence North 49°08'09" East 99.05 feet; thence North 70°06'34" East 126.23 feet; thence South 64°15'28" East 91.31 feet; thence South 64°06'09" East 315.94 feet; thence South 13°26'16" West 602.35 feet to the Northwesterly corner of that tract of land recorded in Volume 192, Page 312, Deed Records, Deschutes County, Oregon; thence South 08°07'31" West along the Westerly line of said tract 149.95 feet to the point of beginning and terminus of this description.

SUBJECT TO: All easements, restrictions and rights-of-ways of record.

12965

STATE OF OREGON

County of Deschutes

I hereby certify that the within instrument of writing was received for Record on the 1 day of April A.D. 1975 at 11:52 o'clock A. M. and recorded in Book 217 on Page 114 Records of Deschutes County, Oregon.

ROSEMARY PATTERSON  
County Clerk

By *[Signature]* Deputy

Exhibit "A"

3. The easement transferred to the City as part of the General Judgment as shown on General Judgment Exhibit 6, Section 2:

2. The easement 10 feet in width immediately West of the East property line for "underground utilities" reserved in the warranty deed from Iris Y. Ward and Ward Corporation of Bend to Administrative School District No. 1 recorded April 22, 1975 in the Deschutes County Records of Deeds in Book 217 on Page 708.

13975

Until a change is requested, all tax statements shall be sent to Grantee at the following address:

VOL 217 PAGE 708

WARRANTY DEED

IRIS Y. WARD and WARD CORPORATION OF BEND, an Oregon corporation, Grantor, convey and warrant to ADMINISTRATIVE SCHOOL DISTRICT NO. 1, Deschutes County, Oregon, Grantee, the following described real property free of encumbrances except as specifically set forth herein:

A tract of land, containing 15.0 acres, more or less, lying in the Southeast one-quarter of the Southwest one-quarter (SE $\frac{1}{4}$ SW $\frac{1}{4}$ ) of Section Nine (9), and the North one-half of the Northwest one-quarter (N $\frac{1}{2}$ NW $\frac{1}{4}$ ) of Section Sixteen (16), Township Eighteen (18) South, Range Twelve (12) East of the Willamette Meridian, Deschutes County, Oregon, the aforesaid tract of land being more particularly described as follows:

Beginning at the Southeast corner of the Plat of Tillicum Village Second Addition, Deschutes County, Oregon, said point being East 1304.50 feet, and South 0.16 feet from the Northwest corner of Section 16; thence South 89° 59' 55" East 94.00 feet; thence North 44° 20' 23" East 567.75 feet; thence South 32° 14' 13" East 203.15 feet; thence North 77° 57' 25" East 95.01 feet; thence South 00° 32' 26" West 265.19 feet to a point on the North line of Section 16; thence leaving said line South 00° 32' 26" West 961.87 feet; thence South 89° 55' 55" West 385.00 feet; thence North 20° 21' 22" West 1020.55 feet to a point on the South line of the Plat of Tillicum Village Second Addition; thence South 89° 59' 55" East along said line 100.00 feet to the point of beginning and terminus of this description, as more fully shown on Exhibit "A" which is attached hereto and by this reference made a part hereof.

GRAY, FANCHER, HOLMES & HURLEY  
ATTORNEYS AT LAW  
1046 N.W. THIRD STREET  
BEND, OREGON 97701

Warranty Deed  
BEND TITLE COMPANY  
10 BOND, BEND, OREGON 97701

Page 1

CL 217 PAGE 709

ALSO reserving an easement ten (10) feet in width immediately West of the East property line of the above described property for underground utilities.

TOGETHER WITH:

- 1. Eight (8) acres of Arnold Irrigation District water.
- 2. A roadway easement from the southwesterly portion of the above described property over the existing roadway to the South line of Rae Road lying within the Northwest one-quarter (NW<sup>1</sup>/<sub>4</sub>) of Section Sixteen (16), Township Eighteen (18) South, Range Twelve (12) East of the Willamette Meridian, Deschutes County, Oregon.
- 3. A roadway easement over that portion of Rae Road lying within Sections Nine (9) and Sixteen (16), Township Eighteen (18) South, Range Twelve (12) East of the Willamette Meridian, Deschutes County, Oregon.

SUBJECT TO:

- 1. The existence of roads, irrigation ditches and canals, telephone, telegraph and power transmission facilities.
- 2. The premises fall within the boundaries of Arnold Irrigation District and are subject to rules, regulations and assessments thereon.
- 3. Easement, including the terms and provisions thereof, for electric transmission line, to Pacific Power & Light Company, recorded February 21, 1946, in Volume 71, Page 390, Deed records. (Affects that portion in Section 16).
- 4. Easement, including the terms and provisions thereof, for electric distribution line, granted to Pacific Power & Light Company, by instrument recorded January 15, 1975, in Volume 214, Page 972, Deed records.

The true consideration for this transfer is \$30,000.00.

DATED this 21 day of April, 1975.

WARD CORPORATION OF BEND

Irvin V. Ward  
IRVIN V. WARD

By J. Ward

GRAY, FANCHER, HOLMES & HURLEY  
ATTORNEYS AT LAW  
1808 N.W. SECOND STREET  
BEND, OREGON 97701

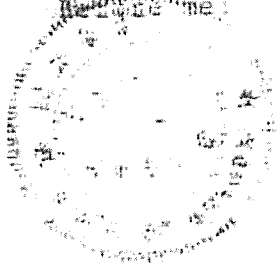
WARRANTY Deed

Page 2

411 217 PAGE 710

STATE OF OREGON, County of Deschutes, ss: April 21, 1975.

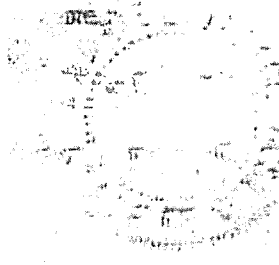
Personally appeared the above named ERIS V. WARD, and acknowledged the foregoing instrument to be her voluntary act.



[Signature]  
NOTARY PUBLIC FOR OREGON  
My Commission expires: 5-2-78

STATE OF OREGON, County of Deschutes, ss: April 21, 1975.

Personally appeared [Signature], who being sworn, stated that he is President of WARD CORPORATION OF BEND, and that this deed was voluntarily signed in behalf of said corporation by authority of its Board of Directors. Before



[Signature]  
NOTARY PUBLIC FOR OREGON  
My Commission expires: 11-14-78

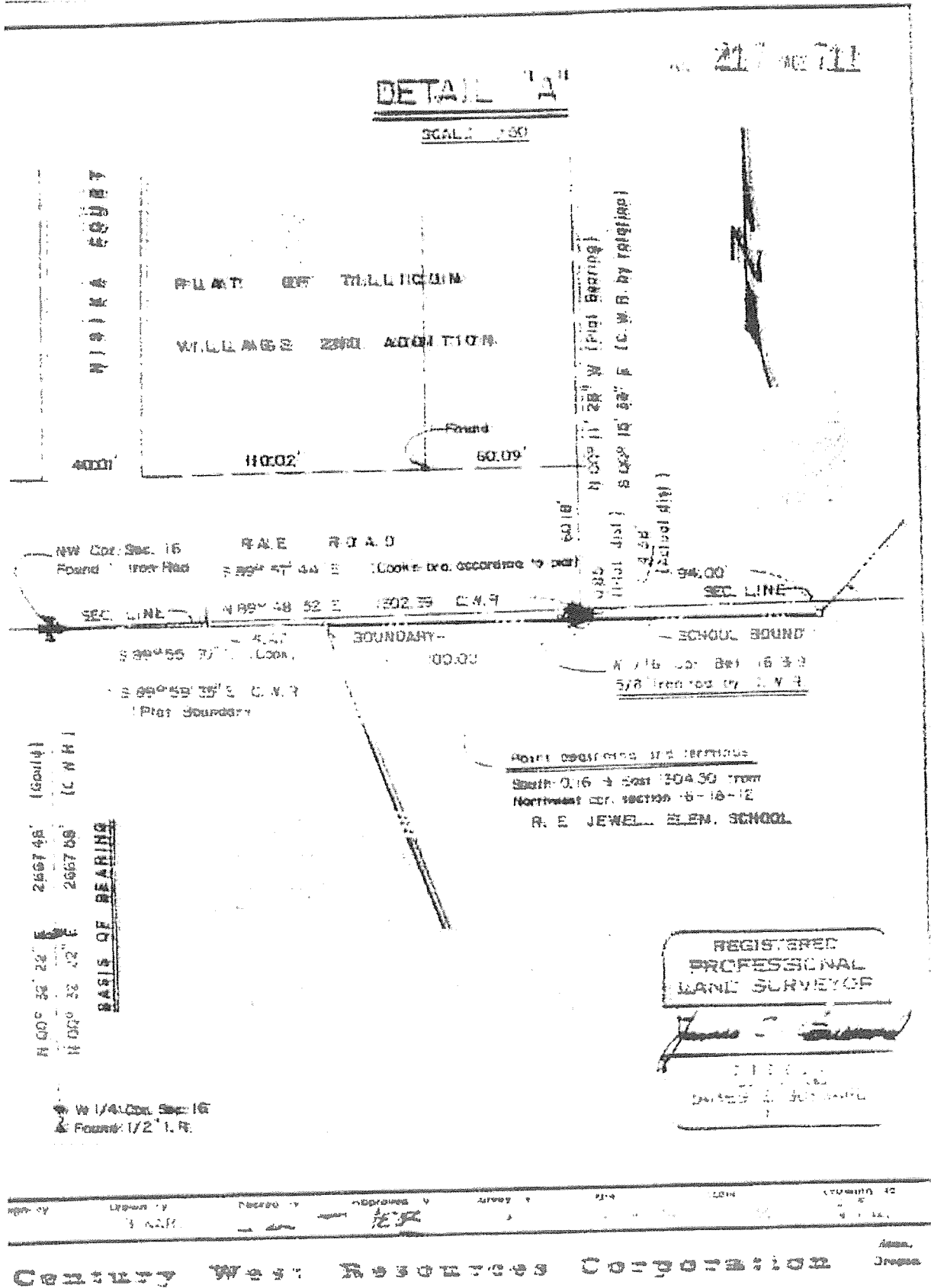


EXHIBIT B-2 – IRRIGATION UTILITY EASEMENT ASSIGNMENT

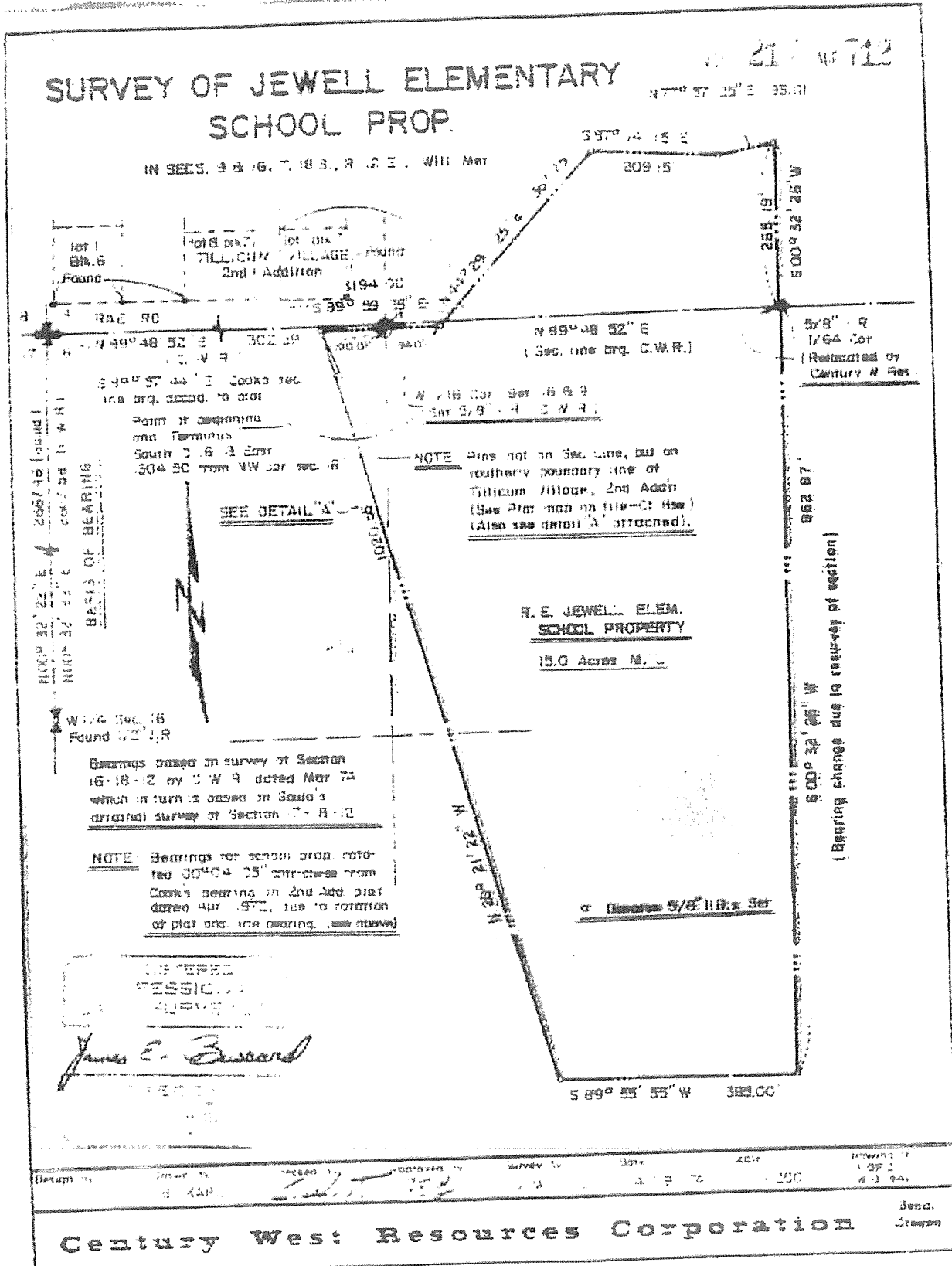


EXHIBIT B-2 - IRRIGATION UTILITY EASEMENT ASSIGNMENT

4. The easement transferred as part of the General Judgment as shown on General Judgment Exhibit 7, Section 2:

1. All (1) pipe, valves, fire hydrants, flow meters and other plant comprising the domestic and irrigation water distribution system; and (2) pipe, gate valves and other related plant comprising the sewer collection system located in the following described land:

The Southeast Quarter of the Southwest Quarter (SE¼ SW¼) of Section Nine (9), Township Eighteen (18) South, Range Twelve (12) East of the Willamette Meridian, Deschutes County, Oregon; EXCEPT that portion as conveyed to Administrative School District No. 1, by Deed recorded April 22, 1975, in Book 217, Page 708, Deed Records; ALSO EXCEPT that portion as conveyed to the Faith Evangelical Free Church of Bend by Deed recorded May 24, 1978, in Book 274, Page 370, Deed Records; ALSO EXCEPT that portion as conveyed to Ronald D. Barber, et ux, by Deed recorded July 19, 1976, in Book 234, Page 467 of Deed Records; ALSO EXCEPT any portion of the above-described lying within Tillicum Village Phase II.

ALSO EXCEPTING any portion lying within Brosterhous Road.

2. All of Juniper Utility Co.'s and J.L. Ward Co.'s interest in the easement arising by implication or estoppel for the installation and maintenance of all water and wastewater utilities over and across the land described in ¶ 1 of this Exhibit 7.



5. The easement transferred to the City as part of the General Judgment as shown on General Judgment Exhibit 8, Section 2:

2. All of Juniper Utility Co.'s interest in the easement from Iris Ward to Juniper Utility Co. recorded May 24, 1978 in the Deschutes County Records of Deeds in Book 274 on Page 368.

17625

32030

Vol 274 Page 368

B A S E M E N T

KNOW ALL MEN BY THESE PRESENTS, that IRIS Y. WARD, does hereby grant, bargain, sell and convey to JUNIPER UTILITY COMPANY, an Oregon Corporation, an easement for the purposes of installing and maintaining utility service lines over and across the following described property:

A tract of land lying in the Southeast Quarter, Southwest Quarter (SE-1/4 SW-1/4) of Section Nine (9), Township Eighteen (18) South, Range Twelve (12), East, of the Willamette Meridian, Deschutes County, Oregon, described as follows:

Commencing at the South Quarter Corner of said Section 9, said point also being on the center line of Sipchen Road; thence North 89° 48' 52" West along the south line of said Section 9, 30.00 feet to the point of beginning, said point also being on the west right of way of said Sipchen Road; thence continuing North 89° 48' 52" West 521.13 feet to a point on the east line of the Jewell School property; thence North 80° 33' 39" East along the east line of said property 265.25 feet; thence North 65° 36' 13" East 160.14 feet; thence around a 370 foot radius curve right 147.01 feet (long chord bears North 76° 59' 09" East 146.04 feet); thence North 88° 22' 05" East 326.04 feet to the west right of way of said Sipchen Road; thence South 08° 41' 00" East along the west right of way of said road 375.63 feet to the point of beginning.

For the purposes of installing and maintaining utility service lines, grantee is hereby granted the right to enter upon grantor's property.

This easement shall be binding upon the heirs, successors and assigns of each party hereto and any subsequent Grantee of either party's property.

-1-  
BEND TITLE COMPANY  
1195 NW WALL, BEND OR 97701

ORAY, FANCHER, HOLMES & HURLEY  
ATTORNEYS AT LAW  
1164 NW BOND STREET  
BEND OREGON 97701

VOL 274 PAGE 369

The true and actual consideration for this easement is

9 Dollars

DATED this 10th day of May, 1978.

Iris Y. Ward by Jan Ward her attorney in fact  
IRIS Y. WARD, By her Attorney in  
Fact, JAN WARD

STATE OF OREGON, County of Deschutes, ss:

The foregoing instrument was acknowledged before me,  
by Jan Ward, as attorney in fact on behalf of Iris Y. Ward.

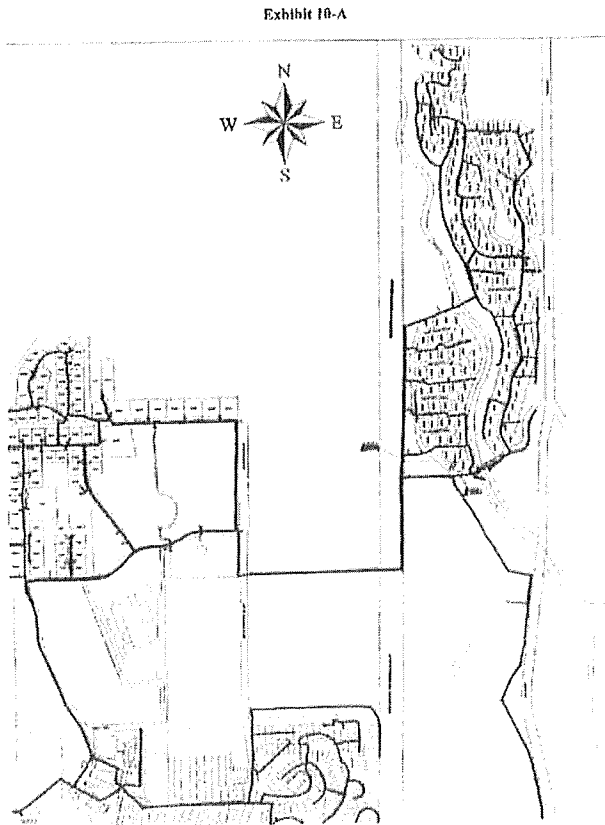
Paul D. Griffiths  
Notary Public for Oregon  
My Commission Expires 10-7-1980

32080

STATE OF OREGON  
County of Deschutes  
I hereby certify that the within instru-  
ment as written was received for Record  
the 27 day of May A.D. 1978  
at 2:00 o'clock P. M. said records  
in Book 274 on Page 369 Records  
of Deschutes  
ROSEMARY PATTERSON  
County Clerk  
By Wanda A. Aubrey Deputy

6. The easement transferred to the City as part of the General Judgment as shown on General Judgment Exhibit 10, Section 2:

2. All of Juniper Utility Co.'s and J.L. Ward Co.'s interest in the easement arising by implication or estoppel for the installation and maintenance of all water utilities over and across the property between the BN right-of-way and Brosterhous Road connecting Nottingham Square to Tillicum Village. See map attached as Exhibit 10-A.



7. The easement transferred to the City as part of the General Judgment as shown on General Judgment Exhibit 13, Section 2:

1. All (1) pipe, valves, fire hydrants, flow meters and other plant comprising the domestic and irrigation water distribution system; and (2) pipe, gate valves and other related plant comprising the sewer collection system located in the following described land:

a. Three (3) 20.00 foot wide strips of land located in the East One-half (1/2) of Section 16 and the Southeast One-quarter of the Southeast One-quarter (SE1/4 SE1/4) of Section 09, both of Township 18 South, Range 12 East, Willamette Meridian, City of Bend, Deschutes County, Oregon, lying 10.00 feet on each side of the following described centerlines:

Centerline #1:

Beginning at a point which bears North 70°54'20" West a distance of 1016.70 feet from the Southeast corner of said Section 16; thence North 09°01'36" West a distance of 114.36 feet; thence North 01°45'17" West a distance of 269.10 feet; thence South 87°27'38" West a distance of 208.31 feet; thence North 00°50'08" East a distance of 166.49 feet; thence North 42°25'32" West a distance of 134.82 feet; thence North 03°48'13" East a distance of 377.03 feet to a point hereinafter known as Point "A"; thence North 82°13'47" East a distance of 31.71 feet; thence North 70°28'29" East a distance of 246.71 feet; thence North 79°50'44" East a distance of 239.94 feet; thence North 54°23'19" East a distance of 404.42 feet; thence North 64°27'27" East a distance of 160.33 feet; thence North 49°02'53" East a distance of 141.81 feet; thence North 57°42'53" East a distance of 73.96 feet; thence North 75°57'39" East a distance of 51.31 feet to a point hereinafter known as Point "B"; thence North 02°43'44" West a distance of 156.34 feet; thence North 09°16'20" West a distance of 175.90 feet; thence North 06°28'34" East a distance of 488.86 feet; thence North 00°27'23" West a distance of 252.90 feet; thence North 07°02'26" East a distance of 144.25 feet; thence North 01°50'35" West a distance of 134.86 feet; thence North 09°12'14" West a distance of 68.46 feet; thence North 18°19'50" West a distance of 196.81 feet; thence North 09°24'31" West a distance of 139.82 feet; thence North 16°42'03" West a distance of 217.98 feet; thence North 31°00'51" West a distance of 267.64 feet; thence North 21°13'56" West a distance of 61.29 feet; thence North 25°07'43" East a distance of 197.54 feet; thence North 35°31'35" East a distance of 105.35 feet; thence North 24°26'08" East a distance of 44.82 feet; thence North 07°18'31" East a distance of 768.26 feet to a point which bears South 56°03'05" East a distance of 102.83 feet from the northeast corner of said Section 16; thence North 65°16'03" West a distance of 263.49 feet; thence North 29°52'19" West a distance of 883.87 feet; thence North 08°18'32" West a distance of 33.34 feet; thence North 87°59'59" West a distance of 392.77 feet; thence South 45°27'17" West a distance of 15.93 feet; thence South 00°31'42" West a distance of 834.14 feet; thence South 88°04'41" West a distance of 73.42 feet to the point of termination

of this centerline description. Said point of termination bears North  $89^{\circ}19'32''$  East a distance of 1333.12 feet from the north one-quarter corner of said Section 16.

Centerline #2:

Beginning at above Point "A"; thence South  $82^{\circ}13'47''$  West a distance of 225.00 feet to the point of termination of this centerline description.

Centerline #3:

Beginning at above Point "B"; thence North  $75^{\circ}57'39''$  West a distance of 20.00 feet to the point of termination of this centerline description.

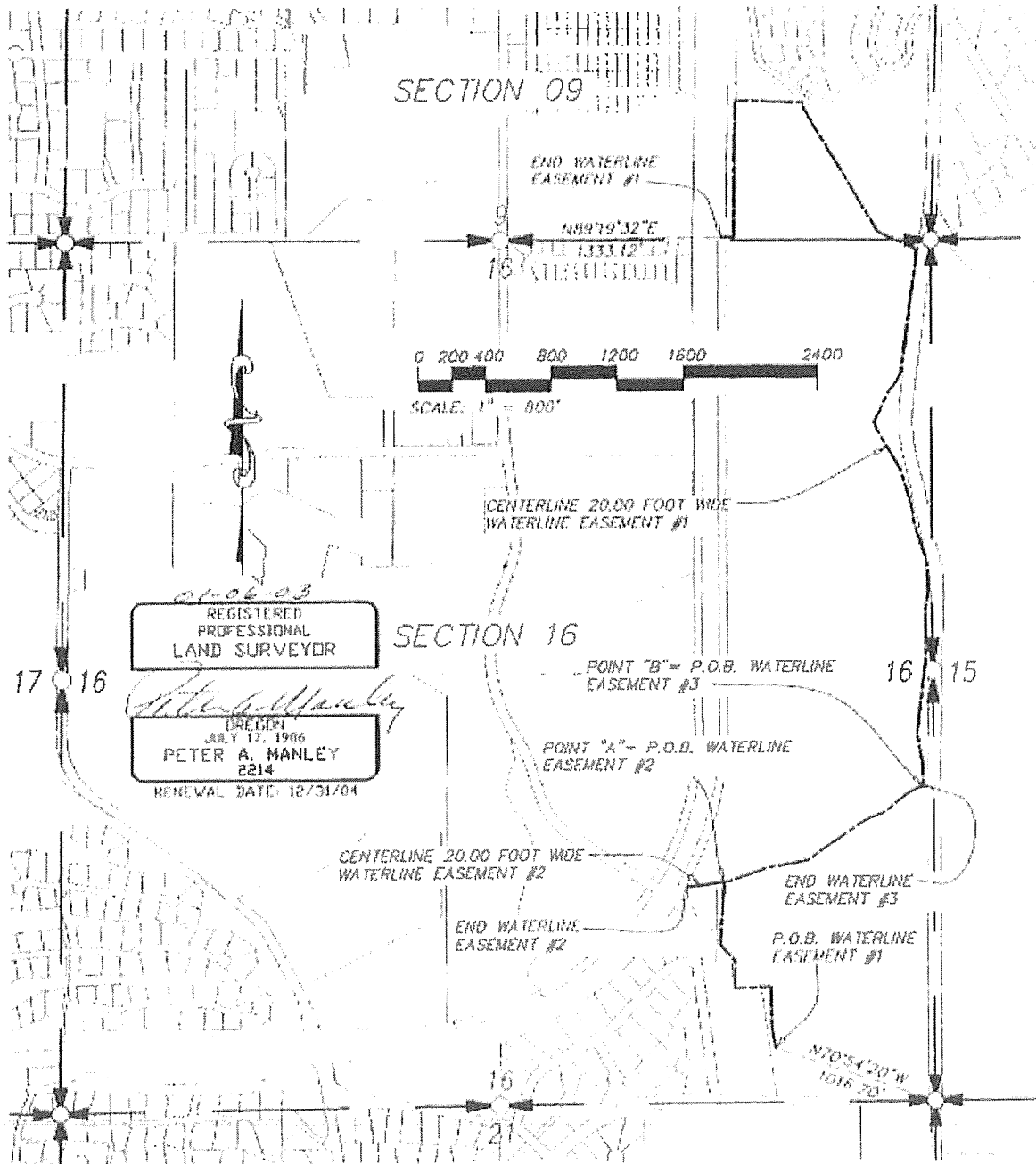
See map attached as Exhibit 13-A, hereby incorporated by reference.

2. **An easement in the land described above in ¶ 1 a. of this Exhibit 13:**

Exhibit I3-A

# EXHIBIT B

LOCATED IN THE E 1/2 OF SECTION 16, AND THE SE 1/4 OF THE SE 1/4 OF SECTION 09, TOWNSHIP 18 SOUTH, RANGE 12 EAST, W.M., CITY OF BEND, DESCHUTES COUNTY, OREGON



COB50020/shdwglnH2Oease.dwg  
01/06/03

8. The easement transferred to the City as part of the General Judgment as shown on General Judgment Exhibit 19, Section 3:

a. Four (4) 20.00 foot wide strips of land located in a portion of the West One-half (W1/2) of Section 16, Township 18 South, Range 12 East, Willamette Meridian, City of Bend, Deschutes County, Oregon, lying 10.00 feet on each side of the following described centerlines:

Centerline #1:

Beginning at a point which bears North  $08^{\circ}52'59''$  East a distance of 595.70 feet from the west one-quarter corner of said Section 16; thence North  $18^{\circ}53'53''$  East a distance of 10.75 feet; thence North  $44^{\circ}28'50''$  East a distance of 58.08 feet; thence North  $89^{\circ}15'56''$  East a distance of 196.57 feet; thence North  $87^{\circ}24'54''$  East a distance of 334.76 feet; thence North  $51^{\circ}50'39''$  East a distance of 10.73 feet to a point hereinafter known as Point "A"; thence continuing North  $51^{\circ}50'39''$  East a distance of 260.89 feet; thence North  $48^{\circ}15'29''$  East a distance of 208.67 feet; thence South  $51^{\circ}42'39''$  East a distance of 128.20 feet to the point of termination of this centerline description. Said termination point bears South  $31^{\circ}58'40''$  East a distance of 2101.51 feet from the northwest corner of said Section 16.

Centerline #2:

Beginning at a said Point "A"; thence South  $36^{\circ}15'29''$  East a distance of 40.60 feet; thence South  $04^{\circ}17'18''$  East a distance of 205.68 feet to the point of termination of this centerline description.

Centerline #3:

Beginning at a point on the northerly right-of-way line of Country Club Drive which bears North  $05^{\circ}59'54''$  East a distance of 1979.04 feet from the southwest corner of said Section 16; thence, leaving said right-of-way line North  $16^{\circ}21'03''$  East a distance of 148.12 feet; thence North  $03^{\circ}20'34''$  West a distance of 95.36 feet; thence North  $19^{\circ}48'09''$  East a distance of 60.71 feet; thence North  $29^{\circ}31'52''$  East a distance of 492.93 feet; thence North  $11^{\circ}50'57''$  East a distance of 43.70 feet; thence North  $04^{\circ}55'41''$  West a distance of 41.78 feet; thence North  $15^{\circ}51'19''$  West a distance of 36.90 feet; thence North  $22^{\circ}57'53''$  West a distance of 87.56 feet; thence North  $19^{\circ}17'58''$  West a distance of 48.00 feet; thence North  $06^{\circ}24'29''$  West a distance of 22.75 feet; thence North  $20^{\circ}15'42''$  East a distance of 52.87 feet; thence North  $76^{\circ}41'01''$  West a distance of 43.63 feet; thence North  $84^{\circ}32'04''$  West a distance of 324.67 feet; thence North  $00^{\circ}04'12''$  West a distance of 128.31 feet;

thence North 15°31'36" East a distance of 47.66 feet to the point of termination of this centerline description. Said termination point bears North 09°18'12" East a distance of 565.40 feet from the west one-quarter corner of said Section 16.

Centerline #4:

Beginning at a point which bears North 06°47'54" East a distance of 568.96 feet from the west one-quarter corner of said Section 16; thence South 00°31'12" East a distance of 183.10 feet; thence South 49°58'45" East a distance of 28.89 feet; thence South 88°30'14" East a distance of 34.27 feet; thence South 77°23'03" East a distance of 52.30 feet; thence South 82°29'38" East a distance of 135.21 feet; thence South 88°13'46" East a distance of 91.78 feet; thence North 88°50'40" East a distance of 121.95 feet; thence North 83°57'18" East a distance of 130.27 feet to the point of termination of this centerline description. Said termination point bears North 12°39'27" East a distance of 3088.50 feet from the southwest corner of said Section 16.

See map attached as Exhibit 19-A, hereby incorporated by reference.

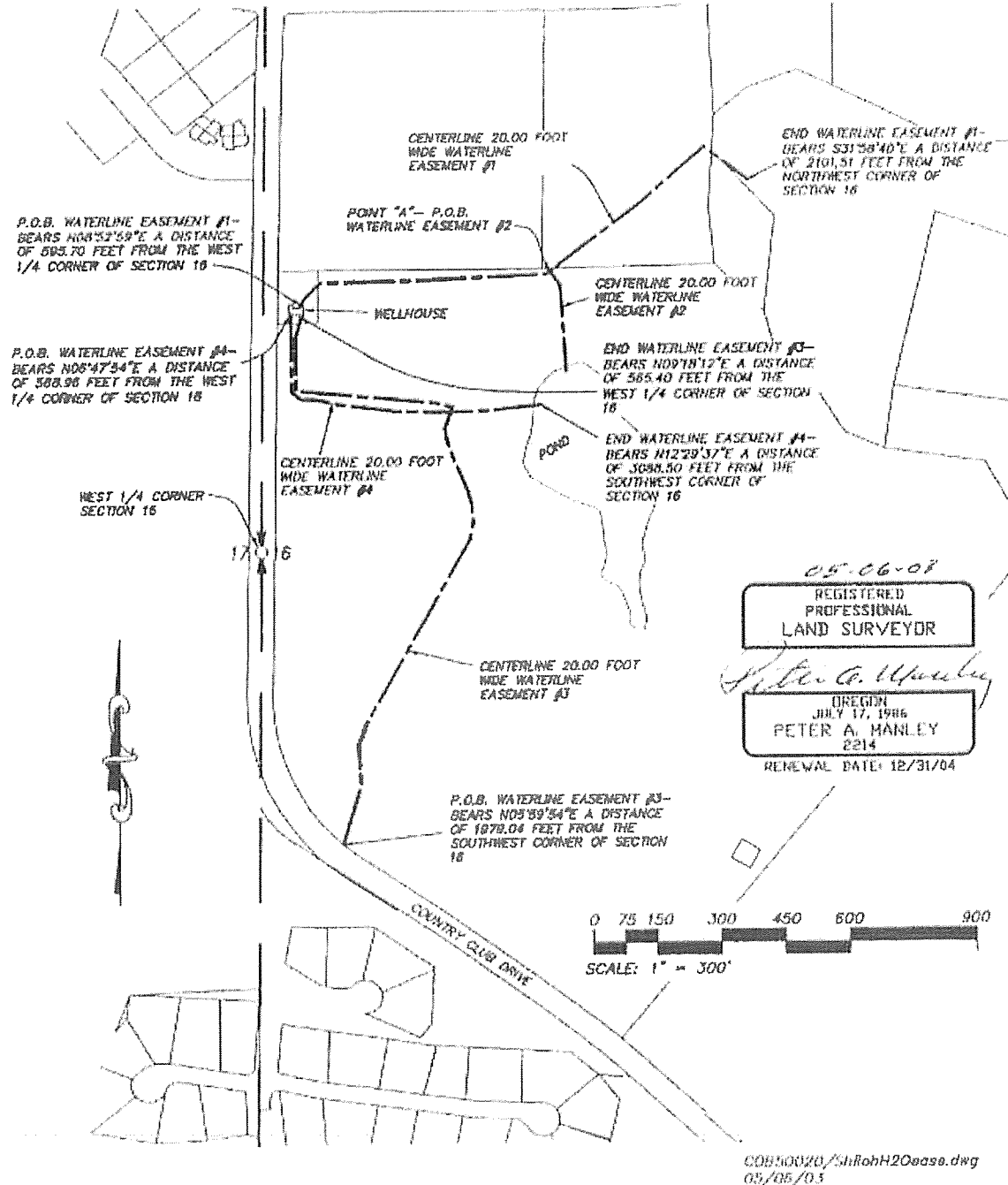
3. An easement in the land described above in ¶ 1 a. of this Exhibit 19:



Exhibit 19-A

# EXHIBIT B

LOCATED IN THE W 1/2 OF SECTION 16, TOWNSHIP 18 SOUTH, RANGE 12 EAST,  
W.M., CITY OF BEND, DESCHUTES COUNTY, OREGON



## EXHIBIT B-3

### ARNOLD IRRIGATION WATER RIGHTS

EXHIBIT B3



**19604 Buck Canyon Rd., Bend, OR 97702**  
**Phone (541) 382-7664 Fax (541) 382-0833**

#### ASSESSMENT NOTICE

City of Bend c/o Patrick Griffiths 575 NE 15th St Bend, OR 97701	<u>Voting Zone(s)</u> 1 2	Acctnbr: 1248 Due Date: 3/31/2016
---	---------------------------------	--------------------------------------

Headgate	Taxlot	Hdgt Users	# Dely	Acres
MAIN 22366	18122000 - 0	2	1	10.00
	181220AA - 0	2	1	10.00
	181220AB - 0	2	1	10.00
	181220AD - 0	2	1	5.00
	18121700 - 0	2	1	30.00
MAIN 28042	181220AA - 0	2	1	30.00
	18121500 - 0	2	1	25.00
	18121600 - 0	2	1	50.00
	18121600 - 0	2	1	15.00
	181216CC - 0	2	1	5.00
	181216DC - 0	2	1	5.00
	18122000 - 0	2	1	10.00
	181220AB - 0	2	1	10.00
	181221BB - 0	2	1	10.00
	181221BC - 0	2	1	10.00
	18121900 - 0	2	1	5.00
	NORTH 19277	18123000 - 0	1	1
181208DD - 0		1	1	15.25
181209AA - 0		1	1	5.00
181209AD - 0		1	1	5.00
181209CD - 0		1	1	29.31
181209DA - 0		1	1	5.00
181209DD - 0		1	1	5.00
18121900 - 0		1	1	33.03
<b>Total</b>		<b>24</b>	<b>147.59</b>	<b>Factor = 348.000</b>

**If Paying by Mail Please Return Stub with Payment**

To cut down on mailing costs, please provide us with your e-mail address so that we may email you newsletters and notices.

E-mail Address \_\_\_\_\_

Return to Arnold Irrigation District  
19604 Buck Canyon Rd., Bend, OR 97702

Acctnbr 1248  
Name City of Bend  
Due Date: 3/31/2016

Prevs Bal	\$0.00
Current Assessment	\$38,029.51
Other Chg	\$0.00
Interest	\$0.00
Amount Paid	\$0.00
<b>Balance Due</b>	<b>\$38,029.51</b>



19604 Buck Canyon Rd., Bend, OR 97702  
Phone (541) 382-7664 Fax (541) 382-0833

Delivery Address  
20505 Murphy Rd

Desc	Factor	Rate	Charge
Capital Improvement	348.000	\$21.92	\$7,628.16
Construction	348.000	\$44.11	\$15,350.28
Debt Retirement	348.000	\$7.82	\$2,721.36
Maintenance Fees	348.000	\$17.83	\$6,204.84
Operations for Hdgt# MAIN 22366	0.500	\$242.25	\$121.12
Operations for Hdgt# MAIN 28042	0.500	\$242.25	\$121.12
Operations for Hdgt# NORTH 19277	1.000	\$242.25	\$242.25
Owner Account	1.000	\$226.78	\$226.78
Tax Lot Fees	56.000	\$65.60	\$3,673.60
Water Right Protection Effort	348.000	\$5.00	\$1,740.00
<b>Total Assessed</b>			<b>\$38,029.51</b>
<b>Previous Balance</b>			<b>\$0.00</b>
<b>Total Due</b>			<b>\$38,029.51</b>

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19604 Buck Canyon Rd., Bend, OR 97702  
Phone (541) 382-7664 Fax (541) 382-0833

Annual charges shall be due and payable on January 1, 2016 and shall be deemed delinquent if not paid by March 31, 2016. The District shall withhold delivery of water from any tract of land until the charges for the current year and any prior year(s), including interest, lien and collection costs and fees, are paid in full. Any charge not paid in full when due shall accrue interest at the statutory rate of 1 1/3 percent per month until paid dating back to January 1, 2016. Water will not be delivered until payment is received in full. Payment is due whether or not water is used or received.

ASSESSMENT EXTENSION PAYMENT PLANS WILL NOT BE AVAILABLE THIS YEAR. Please see attached insert for explanation.

The Secretary of the District shall cause a late payment notice to be mailed to each parcel for which delinquent charges are owed. Said notice shall be provided and mailed to landowner on or after June 1, 2016 advising the landowner that an administrative fee of \$150 will be added to the unpaid balance if not paid by June 30, 2016.

For each account remaining delinquent and unpaid as of August 31, 2016 a second notice will be mailed to each parcel for which delinquent charges are owed. Said notice shall be provided on or after September 1, 2016. The land owner will be advised that the unpaid charges are accruing interest and that a Notice of Claim of Lien for any unpaid and accrued charges will be prepared and recorded if all charges are not paid by September 30, 2016.

For each account remaining delinquent and unpaid as of October 1, 2016, the Secretary shall refer to the District's legal counsel to prepare and record in the County Clerk's office, a Notice of Claim of Lien for the amount of the unpaid charges, the delinquent charge, the administrative fee, cost of preparing, recording and releasing said Lien and any legal fees.

On October 1, 2016 for each account remaining delinquent and unpaid from September 30, 2015, the Secretary of the District shall refer to the District's legal counsel for collection, including foreclosure as provided by law, each lien that remains unpaid.

If you have questions or concerns about your assessment, you may present them to the Board of Directors for changes or relief at the Board of Equalization on January 12, 2016, at 3:00 pm at 19604 Buck Canyon Road in Bend.

We now have various payment options:

1. Pay with check by mail.
2. Pay with cash, check or credit/debit card in office.
3. Pay over phone with credit/debit card.
4. Pay online with credit card or e-check.

Visit our website at [www.arnoldirrigationdistrict.com](http://www.arnoldirrigationdistrict.com) to make your payment online.

Please Note: Customer is responsible for additional fees for making payment with a debit or credit card or e-check. See fees below.

E-check payment - \$2.95 flat fee  
Debit or Credit card - \$3.00 per every \$100

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To cut down on mailing costs, please provide us with your e-mail address so that we may email you newsletters and notices.

E-mail Address \_\_\_\_\_

Return to Arnold Irrigation District  
19604 Buck Canyon Rd., Bend, OR 97702

Acctnbr 1248  
Name City of Bend  
Due Date: 3/31/2016

Prevs Bal	\$0.00
Current Assessment	\$38,029.51
Other Chg	\$0.00
Interest	\$0.00
Amount Paid	\$0.00
Balance Due	\$38,029.51

## EXHIBIT C

## PROMISSORY NOTE

**AVION WATER COMPANY, INC.****PROMISSORY NOTE  
UNDER JUNIPER UTILITY ASSET PURCHASE AGREEMENT**

This Promissory Note (the "Note") dated \_\_\_\_\_, 2016, evidences the payment obligation of Avion Water Company, Inc. ("Avion") to the City of Bend (the "City") for funds advanced by the City to Avion as described below and in connection with the Juniper Utility Asset Purchase Agreement, dated June \_\_\_\_, 2016 (the "Asset Purchase Agreement") between the City and Avion.

1. Advance of Funds. The City hereby agrees to advance \$400,000 to Avion under this Note, subject to the terms and conditions contained herein and as authorized by Resolution No. 3025 adopted by the City Council of the City on April 6, 2016. The funds are advanced by the City to Avion in connection with the Asset Purchase Agreement. Under the Asset Purchase Agreement, the City shall advance \$400,000 to Avion on the date of this note.
2. Promise to Pay. Avion promises to pay the City \$400,000 plus interest according to the terms and conditions set forth in this Note.
3. Payment Terms.
  - a. The interest rate will be 6.5% per year.
  - b. Payments for the first three years will be interest-only, in the amount of \$26,000 each, with the first payment due one year from the date of this Note. Beginning at year four, the balance will be amortized over 20 years.
  - c. The entire unpaid balance, both principal and interest, shall be due 20 years from the date of this Note. Payments will be made annually based upon the date of this Note.
  - d. Equal debt service payments of \$36,303 will be made annually during years 4 through 19, with the unpaid balance of \$132,449 due at the end of the 20-year term. The payment schedule is attached as Exhibit A to this Note.
  - e. There is no down payment.
  - f. Avion may prepay at any time without penalty.
  - g. Payments shall be made to City of Bend Finance Department, PO Box 1024, Bend, OR 97709 or as the City otherwise orders.
4. Default. Failure to pay any amount within 10 days after written notice from the City that payment is past due and owing is a default.

5. Remedies. Avion agrees that if Avion does not perform the terms and conditions of the Asset Purchase Agreement and this Note according to their terms and conditions, City may terminate the Asset Purchase Agreement with Avion and exercise any other remedy provided by law, including but not limited to declaring all or any portion of the amount then outstanding under this Note to be immediately due and payable. Remedies include the ability to lien the Assets (as defined in the Asset Purchase Agreement), and Avion shall not allow any consensual lien to be placed against any of the Assets until this Note is repaid in full. All remedies under this Note are cumulative and not exclusive. Any election to pursue one remedy shall not preclude the exercise of any other remedy. No delay or omission in exercising any right or remedy shall impair the full exercise of that or any other right or remedy, or constitute a waiver of the default.

AVION WATER COMPANY, INC.

\_\_\_\_\_  
By: Jason J. Wick, President  
Date: \_\_\_\_\_

STATE OF OREGON        )  
  )ss.  
County of Deschutes    )

This instrument was acknowledged before me on \_\_\_\_\_, 2016, by Jason J. Wick, as President of Avion Water Company, Inc.

\_\_\_\_\_  
Notary Public for Oregon  
My Commission Expires:

Accepted by CITY OF BEND

\_\_\_\_\_  
By: SHARON WOJDA, Finance Director  
Date: \_\_\_\_\_

EXHIBIT A

Payment Schedule

1.	_____	, 2017 - \$26,000.00
2.	_____	, 2018 - \$26,000.00
3.	_____	, 2019 - \$26,000.00
4.	_____	, 2020 - \$36,303.00
5.	_____	, 2021 - \$36,303.00
6.	_____	, 2022 - \$36,303.00
7.	_____	, 2023 - \$36,303.00
8.	_____	, 2024 - \$36,303.00
9.	_____	, 2025 - \$36,303.00
10.	_____	, 2026 - \$36,303.00
11.	_____	, 2027 - \$36,303.00
12.	_____	, 2028 - \$36,303.00
13.	_____	, 2029 - \$36,303.00
14.	_____	, 2030 - \$36,303.00
15.	_____	, 2031 - \$36,303.00
16.	_____	, 2032 - \$36,303.00
17.	_____	, 2033 - \$36,303.00
18.	_____	, 2034 - \$36,303.00
19.	_____	, 2035 - \$36,303.00
20.	_____	, 2036 - \$132,449.00

## FIRST AMENDMENT TO ASSET PURCHASE AGREEMENT

This First Amendment to Asset Purchase Agreement (this “**Amendment**”) is made and entered into effective as of December 29, 2016, by and between the City of Bend, an Oregon municipal corporation (“**City**”), and Avion Water Company, Inc., an Oregon corporation (“**Avion**”).

### Recitals

City and Avion previously entered into an Asset Purchase Agreement, dated August 9, 2016 (the “**Agreement**”), pursuant to which City agreed to sell certain assets comprising part of the former Juniper Utility System. City and Avion desire to amend the Agreement.

### Agreement

City and Avion agree as follows (capitalized terms used, but not defined in this Amendment shall have the meanings given to such terms in the Agreement):

1. Amendments. The Agreement is amended as follows:
  - a. A new Section 7.7 is added to read as follows: “**7.7** An amendment to Ordinance NS-1514 Water Service Franchise – Avion Water Company, allowing Avion to serve an expanded service territory, to include the territories served by the Assets, is approved by the City Council and becomes effective.”
  - b. Section 8.2 is amended in its entirety to read as follows: “**8.2 Deliveries by City at Closing**. Closing shall occur not later than 10 days after the satisfaction of all contingencies (the “**Closing Date**”), or at such other time as the parties shall mutually agree. Concurrently with the closing, City shall deliver to Avion:”. (The subsections of Section 8.2 shall remain unchanged.)
  - c. Exhibit B, attached to the Agreement, is replaced with the Exhibit B attached to this Amendment.
2. Other Provisions. The provisions of the Agreement that are not amended or deleted by this Amendment remain unchanged and in full force and effect.
3. Counterparts; Facsimile and Email Signatures. This Amendment may be executed in counterparts. Electronic transmission of any signed original document shall be the same as delivery of an original. At the request of either party, the parties shall confirm electronically transmitted signatures by signing and delivering an original document.


*[Signatures on following page.]*



The parties have executed this Amendment as of the date set forth above.

**City of Bend**

**Avion Water Company, Inc.**

By:   
Eric King, City Manager

By: \_\_\_\_\_  
Jason Wick, President

**REVIEWED**  
  
**LEGAL COUNSEL**

The parties have executed this Amendment as of the date set forth above.

**City of Bend**

**Avion Water Company, Inc.**

By: \_\_\_\_\_  
Eric King, City Manager

By: Jason Wick  
Jason Wick, President

Reviewed:  
Paul Taylor  
Legal Counsel

## EXHIBIT B

### **Assets Transferred from the City of Bend to Avion Water Company, Inc.**

#### Service Areas

Nottingham Square subdivision, Stonegate PUD Phases 1, 3 and 4

#### Easements

All water easements owned or held by the City of Bend within or serving the Nottingham Square subdivision and Stonegate PUD Phases 1, 3 and 4. The easements will be transferred by a document to be recorded in the form of the attached Exhibit B-1.

All water easements owned or held by the City of Bend related to the irrigation distribution system within or serving the Nottingham Square subdivision and Stonegate PUD Phases 1, 3 and 4. These easements will be transferred by a document to be recorded in the form of the attached Exhibit B-2. The exhibits to Exhibit B-2 are subject to change prior to the Closing Date to reflect the actual allocation of the irrigation easements between Avion and Roats.

#### Facilities

All water utility facilities owned or held by the City of Bend within the Nottingham Square subdivision and within Stonegate PUD Phases 1, 3 and 4.

All irrigation water facilities owned or held by the City of Bend within or serving the Nottingham Square subdivision and Stonegate PUD Phases 1, 3 and 4.

#### Water Rights

Of the interest of the City of Bend in Certificate of Water Right No. 74197 issued to Arnold Irrigation District on July 14, 1997 (347.59 acres/equivalent for quasi-municipal use) being transferred to Roats, approximately 58-60 acres will be transferred to Avion. Roats and Avion will cause Arnold Irrigation District to transfer such portion to Avion after the Closing Date.