

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UW 171

In the Matter of

ORDER

AVION WATER COMPANY, INC.,

Request for a General Rate Revision.

DISPOSITION: STIPULATION ADOPTED

I. INTRODUCTION

Avion Water Company (Avion or the company) filed an application for a general rate revision on May 1, 2017, requesting an increase in its annual revenues of \$1,067,492 (12.82 percent). In Order No. 17-157 entered May 1, 2017, we suspended Avion's filing for a period not to exceed nine months from June 1, 2017 (until March 1, 2018).

A Public Comment Hearing and Prehearing Conference were held in Bend, Oregon, on June 29, 2017. No members of the public attended either the Public Comment Hearing or the Prehearing Conference. No petitions to intervene were filed in this docket.

On October 16, 2017, Avion and the Staff of the Public Utility Commission of Oregon (Staff) filed a stipulation that settles all issues in this docket. The stipulation is attached as Appendix A. Staff also filed testimony in support of the stipulation on October 16, 2017. The stipulation and supporting testimony are received as evidence.

II. THE STIPULATION

The Stipulating Parties propose that we adopt a 7.46 percent increase over 2016 test year revenues – an increase of \$620,766. The revenue requirement is based on a 7.03 percent rate of return on a rate base of \$19,369,133.¹

The parties agree that Avion's rate design will apply a 60/40 split between monthly base rates and commodity rates.

¹ In March 2017, Avion acquired 321 domestic customers and 180 irrigation customers that had been served by the Juniper Utility System (Juniper) which had been owned by the City of Bend. Avion's service to these Juniper customers is included in the derivation of the rates in this proceeding.

The parties agree to the rates being effective for service rendered on and after January 1, 2018.

Factors contributing to the rate increase include increases in operating costs such as the hiring of an additional engineer, the change in status of a part-time temporary position to full-time permanent, and capital investments made to the system.²

We provide a summary of the stipulated issues below.

A. Revenue Requirement

1. Background

Avion filed its application using a historic (2016) test year. Although Avion did not include forecasted revenues in its filing, it did include a significant number of forecasted cost increases that would be more typically found in a future test year filing. Staff found that this approach did not comport with matching of revenues and costs for ratemaking purposes and made numerous adjustments.

Staff matched revenues and costs by limiting the expected forward-looking cost increases to those that Staff believes are substantial and known and measurable. Staff resisted an across the board Consumer Price Index (CPI) increase and limited the adjustments for 2016 actual expenses to 1) the increased cost related to health care benefits, and 2) the costs associated with the Juniper purchase (discussed below). Ultimately, Staff adjusted a number of accounts by removing Avion's proposed adjustments to the 2016 test year expenses, or averaging 2016 test year expenses over a three-year period to better reflect actual costs and eliminate anomalous expenses.

2. Staff's Adjustments

Avion's proposed adjustments to its results of operations and Staff's adjustments to the company's totals are shown in Attachment A to the stipulation. Staff's major adjustments (greater than \$5,000) include the following:

a. Revenues

Irrigation Water Sales. Avion failed to include both revenues and expenses for its acquired Juniper Nottingham irrigation-only water customers who are currently served under Irrigation Tariff Schedule No. 13. To account for both the costs and revenues for the test period the parties agreed to an increase of \$78,991.

² Another factor that contributes to the relative magnitude of this rate increase is that in Avion's last rate case the amount we could allow in rates was constrained by an accounting error in the company's filing that resulted in an understatement of its cost of service such that it could not fully recover its costs even after we granted it 100 percent of its request. *In the Matter of Avion Water Company, Inc., Application* Docket No. UW 154, Order No. 14-036 at (Jan 30, 2014).

Cross Control Revenue Account. Avion failed to include the increase in revenues for its newly acquired Juniper customers' contribution to Cross Control Revenues. The parties agreed to an amount of \$6,123 to reflect the projected revenues.

b. Operating Expenses

Employee Salary and Wages. In its application, Avion proposed a cost-of-living salary increase to wages and included \$29,500 in employee bonuses. Staff determined that the company's wages already are at the upper salary range for comparable utilities, and reduced the bonuses by 50 percent to reflect our policy to allow 50 percent of employee merit-based bonuses if the utility shows that the bonuses reflect benefits to customers through lower costs of service going forward.

The parties agreed to remove the capitalized labor and burden costs of \$165,613 that were included in the salary and wage account because capitalized labor and burden costs are reflected in the company's utility plant-in-service and should not be double counted in wage expense. These adjustments resulted in a decrease of \$209,454.

Officer Salary and Wages. Staff compared Avion's officer salary and wage compensation to compensation at comparable utilities and found that its officer wages are within the upper salary ranges for similar positions. Staff removed the officer bonuses and the proposed CPI increase. These adjustments resulted in a decrease of \$15,303.

Employee Pension and Benefits. Staff made numerous adjustments to Avion's expenses while agreeing to an upward adjustment of \$75,000 for a substantial known and measurable increase in employee medical costs. The net of all the adjustments is an increase of \$44,098.

Purchased Power. The parties agreed to include \$64,800 in this account for the Roats Wheeling Fee not included in Avion's application (discussed below). The net of this adjustment, coupled with the removal of Avion's proposed CPI adjustment and other adjustments results in an increase of \$46,832.

Contract Services-Testing. Staff considers test expenses to be most accurately reflected when normalized as an average. The parties agreed to apply a three-year historic average and to remove the CPI adjustment for a combined decrease of \$5,172.

c. Other Revenue Adjustments

Depreciation Expense. First, Staff adjusted depreciation expense to include calendar year 2016 depreciation, reducing depreciation expense by \$27,405. Next, the parties agreed to several minor adjustments both increasing and decreasing depreciation expense. The combined adjustments result in a decrease of \$29,615.

Property Tax. Avion requested a CPI increase of \$15,465 and another increase of \$7,178 related to the new Juniper assets. The parties agreed to remove the CPI adjustment, resulting in a net decrease of \$8,287.

B. Rate Base

1. *Utility Plant in Service*

The parties agreed to remove that \$83,000 cost of the proposed Nixon Well #2 because the completion of the well has been postponed. They also agreed to add plant costs related to the Juniper purchase. The combined adjustments result in a reduction of \$27,061.

2. *Accumulated Depreciation of Plant*

The parties agreed to increase the accumulated amortization of Contributions in Aid of Construction (CIAC) to correct errors in Avion's plant model and to increase the Accumulated Depreciation of Plant to reflect one year of Depreciation Expense on the Juniper assets. These adjustments total \$258,129.

C. Cost of Capital

Avion proposed a 7.63 percent rate of return reflecting a 10 percent return on equity, with a capital structure of 40.99 percent debt and 59.01 percent equity. The parties agreed to a 9.50 percent return on equity, which results in a 7.03 percent rate of return.

Not included in the cost of capital is a loan guarantee fee paid to certain Avion officers. The Bank of Cascades requires a personal loan guarantee as a condition of extending a loan; and the bank can call the loan at any time and the Avion officers are personally liable for repayment. For 2016, Avion paid its officers a personal loan guarantee of \$140,544.57 in accordance with an approved percentage of the loan balance set forth in docket UI 268 due to the liability of providing personal guarantees to the bank. That amount is included in Miscellaneous Expense.

D. Juniper Acquisition

As noted above, in March of 2017, Avion acquired 321 domestic customers and 180 irrigation customers from the City of Bend that had been served by the Juniper water system.³ All former Juniper domestic customers are served under Avion's domestic water tariffs and through Avion's water system with the exception of the new Juniper Nottingham irrigation customers.

Nottingham irrigation customers are served by a separate irrigation water system that was also recently purchased from the City of Bend, and is now owned and operated by Roats

³ The remainder of the Juniper customers was acquired by Roats Water System, Inc. *In the Matter of Roats Water System, Inc., Application*, Docket No. UW 166, Order No. 17-123 at 11 (Mar 29, 2017).

Water System. Avion must pay Roats a wheeling fee to deliver the irrigation water to the Nottingham subdivision. In January 2017, Avion filed a separate irrigation tariff to provide service to the Nottingham customers that we approved in docket UW 170.⁴

Avion was not required to gain approval of its acquisition of the Juniper system because Juniper was not a public utility subject to our jurisdiction and Avion did not require financing for the purchase. Avion chose to finance the purchase and related interconnection costs with existing capital.

Staff concludes that the purchase results in savings to current Avion customers, based primarily on increased economies of scale resulting from spreading costs over a larger customer base. Staff found that the cost reductions to current customers occur immediately in year one (2018). Staff also found that Avion's service to Juniper customers is consistent with the company's existing service and will not impair its ability to meet its service obligations.

The purchase price paid by Avion for the Juniper assets was \$400,000. However, consistent with our policy of bringing prudently acquired plant into rate base at net book value, Staff investigated the purchase to try to determine the net book value. With some difficulty, Staff determined that the section of the Juniper system acquired by Avion was valued at about \$1 million at the time of the purchase. Staff was further able to ascertain that at least \$400,000 of that value was not CIAC. Thus, Staff found that the net book value of the new plant is between \$400,000 and \$1 million. Staff recommends that the \$400,000 net book value be allowed into Avion's rate base (in addition to \$104,757 for interconnection costs).

Staff concludes that the Juniper purchase was prudent, based on the purchase price and the results of its analysis that shows that the purchase benefits Avion's existing customers due to economies of scale.

E. Rate Spread/Rate Design

The parties agreed to allocate 60 percent of the revenue recovery to the base (monthly) rates and 40 percent to the commodity rates. In their view, the 60/40 split provides more certainty to the company and aligns Avion's rate design with industry practice.

The bulk of Avion's customers are domestic water users (93 percent) and the parties assigned 99.225 percent of the revenue requirement to this class of customers. The remainder was allocated to fire protection sales and water sales for resale. Additionally, some of the other revenue sources were assigned necessary associated revenues directly in the rate model. The result is shown in the following table:

⁴ *In the Matter of Avion Water Company, Inc., Application*, Docket No. UW 170, Order No. 17-086 (Mar 10, 2017).

Rate Spread

| | | |
|---|-------------|------------|
| Total Revenue Requirement | \$8,947,062 | |
| Revenue From Water Sales | 7,898,480 | Allocation |
| 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% |
| Revenues From Sources Other Than Water Sales | | |
| Miscellaneous Services | \$104,521 | |
| Cross Connection Control | 250,568 | |
| Other | 187,176 | |

The parties agreed to allocate the increase in rates across five of Avion's existing tariffs. Schedule No. 1, Residential and Commercial Metered domestic water customer base rate differs depending on the size of the meter. Larger meter sizes absorbed more of the increase to base rates, using American Water Works Association (AWWA) meter factors. The following table compares current and proposed rates (per 100 cubic feet):

| METER | BASE RATES | | | COMMODITY RATES | | |
|--------------|-------------------|---------------|----------------|------------------------|---------------|----------------|
| | Current Rate | Proposed Rate | Difference (%) | Current Rate | Proposed Rate | Difference (%) |
| 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% |

The following table shows the impact of the rate increase on the average domestic monthly bills:

| METER Line Type and Size | AVERAGE MONTHLY BILLS | | |
|-----------------------------|-----------------------|---------------|----------------|
| | Current Rate | Proposed Rate | Difference (%) |
| 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 | 5.36% |
| 6" | \$9,593.45 | \$9,803.89 | 2.19% |
| 8" | N/A | No Customers | N/A |

Standard irrigation customers taking service under Schedule No. 2 also received a modest increase in the base rate of 2.35 percent, with a commodity rate increase of 1.82 percent. Nottingham irrigation customers taking service under Schedule No. 13 rates received an increase of 10.13 percent because the original Nottingham irrigation rate did not include either administrative or repair expenses.

Meanwhile, fire rates increased slightly over six percent in Schedule No. 4.

Finally, the bulk water tariff, Schedule No. 5, which is a commodity rate used for bulk water purchases by water haulers, increased from \$1.00 per 100 cubic feet to \$1.06, a 6.48 percent increase.

Staff explains the differences in percentage increases for domestic water users in terms of its application of AWWA factors. According to Staff, Avion's 5/8 inch meter size customers, which comprise 11,470 out of the 12,820 domestic customers, have been paying higher base rates that do not align with the AWWA factors. Over the last three rate cases, Staff has been adjusting base rates to move toward those factors while attempting to avoid rate shock to the larger meter sized customers. Staff will continue working toward this goal.

III. RESOLUTION

As shown by Staff's testimony, Staff performed a comprehensive review of Avion's application. Based on that review, we find that the terms of the stipulation are reasonable and conclude that the stipulation should be adopted.

A complicating factor was Avion's use of a historic test year with an escalation factor applied to expenses without recognition of any corresponding additional revenue. Staff explains how it adjusted Avion's test year expenses to more closely match revenues and expenses.

Another complicating factor was the inclusion in rates of the Juniper customers acquired by Avion from the City of Bend and the associated plant. Based on Staff's analysis, we find that the Juniper acquisition was prudent and allow the inclusion of the Juniper plant in Avion's rate base.

IV. ORDER

IT IS ORDERED that:

1. Advice No. 17-03 filed by Avion Water Company, Inc., is permanently suspended.
2. The stipulation between Avion Water Company, Inc., and the Staff of the Public Utility Commission of Oregon, attached as Appendix A, is adopted.
3. Avion Water Company, Inc., is authorized to file its tariffs in accord with the stipulation, with an effective date of January 1, 2018.

Made, entered, and effective DEC 11 2017.

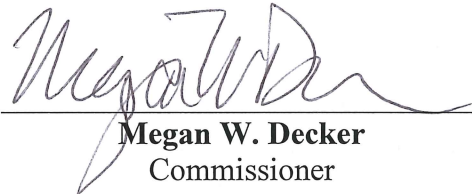


Lisa D. Hardie
Chair





Stephen M. Bloom
Commissioner


Megan W. Decker
Commissioner

A party may request rehearing or reconsideration of this order under ORS 756.561. A request for rehearing or reconsideration must be filed with the Commission within 60 days of the date of service of this order. The request must comply with the requirements in OAR 860-001-0720. A copy of the request must also be served on each party to the proceedings as provided in OAR 860-001-0180(2). A party may appeal this order by filing a petition for review with the Court of Appeals in compliance with ORS 183.480 through 183.484.

1 BEFORE THE PUBLIC UTILITY COMMISSION
2 OF OREGON
3 UW 171

4
5 In the Matter of Avion Water)
6 Company, Inc., Application for) STIPULATION
7 General Rate Increase)
8)
9
10

11 Avion Water Company, Inc. (Avion or Company), appearing by and through
12 Jason Wick, President of Avion, and the Public Utility Commission of Oregon
13 Staff (Staff), appearing by and through its attorney, Kaylie Klein, Assistant Attorney
14 General, enter into this stipulation (Stipulation) resolving all issues in this case.

15 1.

16 Avion and Staff (Stipulating Parties) support entering into evidence, without
17 requiring any Stipulating Party to lay a foundation for its admission, this Stipulation,
18 Staff's written Testimony in Support of the Stipulation (Exhibit Staff/100), and
19 additional supporting exhibits (Exhibit Staff/101-106).

20 2.

21 The Stipulating Parties agree to support and recommend the Commission
22 adopt a 7.46 percent increase in revenue requirement over 2016 test year
23 revenues. The increase results in a total revenue requirement of \$8,947,064, an
24 increase of \$620,766 above test year revenues. Additionally, the Stipulating
25 Parties agree that Avion will have an opportunity to earn a 7.03 percent rate of

1 return on a total rate base of \$19,369,133. The stipulated revenue requirement
2 and adjustments are included for review as Attachment A to this Stipulation.

3 3.

4 The Stipulating Parties agree to and support the rates, fees, rules, and
5 regulations contained in Attachment B to this Stipulation, which include Avion's
6 tariff sheets PUC No. 6, Original Sheet Nos. 1-39 that have been updated to
7 comply with Order No. 17-017, the new Water Division Oregon Administrative
8 Rules adopted in Docket No. AR 595.

9 4.

10 The Stipulating Parties agree to and support rates being effective for service
11 rendered on and after January 1, 2018.

12 5.

13 The Stipulating Parties agree that Avion's rate design will apply a 60/40 split
14 between monthly base rates and commodity rates.

15 6.

16 The Stipulating Parties agree that Avion will add clarifying language to its
17 Schedule 2 Irrigation Tariff, specifically, "Irrigation Assessments at Cost."

18 7.

19 The Stipulating Parties agree that Avion and Staff will work together to
20 reconcile differences in the plant depreciation rate model and the plant
21 depreciation schedule reflected in Avion's Annual Results of Operations Reports.

1 8.

2 The Stipulating Parties have negotiated this Stipulation in good faith and
3 recommend that the Commission adopt the Stipulation in its entirety.

4 9.

5 The Stipulating Parties agree that the Stipulation represents a compromise
6 in the positions of the Stipulating Parties. By entering into this Stipulation, no
7 Stipulating Party shall be deemed to have approved, accepted, or consented to the
8 facts, principles, methods, or theories employed by any other Stipulating Party in
9 arriving at this Stipulation.

10 10.

11 The Stipulating Parties agree that without the written consent of all
12 Stipulating Parties, evidence of conduct or statements, including but not limited to
13 term sheets or other documents created solely for use in settlement conferences in
14 this docket, and conduct or statements made at settlement conferences, are
15 confidential and not admissible in the instant or any subsequent proceeding,
16 unless independently discoverable or offered for other purposes allowed under
17 ORS 40.190.

18 11.

19 The Stipulating Parties have negotiated this Stipulation as an integrated
20 document. Accordingly, if the Commission rejects all or any material portion of this
21 Stipulation, or adds any material condition to any final order that is not consistent
22 with this Stipulation, each Stipulating Party reserves the right, upon written notice
23 to the Commission and all parties to this proceeding within 15 days of the date of

1 the Commission's final order, to withdraw from the Stipulation and to present
2 additional evidence and argument on the record. Nothing in this paragraph
3 provides any Stipulating Party the right to withdraw from this Stipulation as a result
4 of the Commission's resolution of issues that this Stipulation does not resolve.

5 12.

6 The Stipulating Parties understand that this Stipulation is not binding on the
7 Commission in deciding Avion's application for a general rate increase and does
8 not foreclose the Commission from addressing any other issues.

9 13.

10 This Stipulation may be executed in any number of counterparts, each of
11 which will be an original for all purposes, but all of which taken together will
12 constitute one and the same agreement.

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UW 171 – STIPULATION

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2 DATED this 12th day of October, 2017.

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Kaylie Klein

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Kaylie Klein, OSB #143614

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Assistant Attorney General

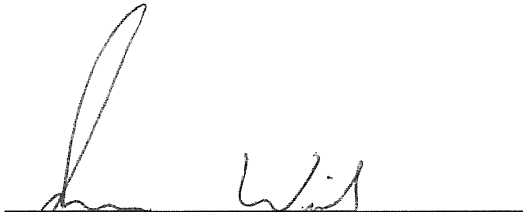
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Of Attorney for PUC Staff

1 //

2 DATED this 12th day of October, 2017.

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5
6

A handwritten signature in black ink, appearing to read 'Jason Wick', is written over a horizontal line. The signature is stylized with a large, looped initial 'J'.

7 Jason Wick
8 President, Avion Water Company, Inc.

Docket No. UW 171

Attachment A
Brock/1

Avion Water Company, Inc.
Docket No. UW 171
January 1, 2016, to December 31, 2016

Revenue Requirement

| | |
|---------------------------------|----------------------------|
| Company Proposed Increase | Staff Proposed Increase |
| 12.82% | 7.46% |

| | Test Year | Company Adjustments | Company Proposed Totals | Staff Adjustments to Company Totals | Staff Proposed Totals |
|---|---------------------|------------------------|----------------------------|---|--------------------------|
| REVENUES | | | | | |
| 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 | 187,170 | 23,997 | \$ 211,173 | \$ (23,997) | \$ 187,176 |
| | | | \$ - | \$ - | \$ - |
| | | | \$ - | \$ - | \$ - |
| Total Revenue | \$ 8,326,298 | \$ 1,067,492 | \$ 9,393,790 | \$ (446,726) | \$ 8,947,064 |

| | | | | | |
|--|---------------------|-------------------|---------------------|---------------------|---------------------|
| Acct. OPERATING EXPENSES | | | | | |
| 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 | 888,402 | 17,968 | \$ 906,370 | \$ 46,832 | \$ 953,202 |
| 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 | 5,205 | \$ 28,181 | \$ (1,340) | \$ 26,841 |
| 668 Water Resource Conservation | 15,906 | 313 | \$ 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 | - | - | \$ - | \$ - | \$ - |
| TOTAL OPERATING EXPENSE | \$ 5,476,787 | \$ 350,344 | \$ 5,827,131 | \$ (177,716) | \$ 5,649,415 |

| | | | | | |
|---|---------------------|-------------------|---------------------|---------------------|---------------------|
| OTHER REVENUE DEDUCTIONS | | | | | |
| 403 Depreciation Expense | 601,009 | 109,828 | \$ 710,837 | \$ (25,615) | \$ 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 | - | - | \$ - | \$ - | \$ - |
| TOTAL REVENUE DEDUCTIONS | \$ 7,252,266 | \$ 659,943 | \$ 7,912,209 | \$ (327,403) | \$ 7,584,806 |
| Net Operating Income | \$ 1,074,032 | \$ 407,549 | \$ 1,481,581 | \$ (119,323) | \$ 1,362,258 |

| | | | | | |
|--|----------------------|-------------------|----------------------|--------------------|----------------------|
| UTILITY RATE BASE | | | | | |
| 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 | 275,620 | - | \$ 275,620 | \$ 2,886 | \$ 279,506 |
| Excess Capacity | - | - | \$ - | \$ - | \$ - |
| = NET RATE BASE INVESTMENT | \$ 18,155,316 | \$ 587,757 | \$ 18,743,073 | \$ (46,046) | \$ 18,697,027 |
| 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 |
| TOTAL RATE BASE | \$ 18,813,036 | \$ 616,468 | \$ 19,429,504 | \$ (60,371) | \$ 19,369,133 |
| Rate of Return | 5.71% | | 7.63% | | 7.03% |

**Containing Rules and Regulations
Governing Water Utility Service**

NAMING RATES FOR

Avion Water Company, Inc.
(name of utility)

60813 Parrell Road
(address)

Bend, Oregon 97702
(city, state, & zip code)

541-382-5342 (telephone)
541-382-5390 (fax)
(telephone numbers and type)

Serving water in the vicinity of

Parts of Deschutes & Crook Counties, Oregon

| | | | |
|------------|---------------------------|-----------------------------------|-----------------|
| Issue Date | | Effective for Service on or after | January 1, 2018 |
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RESIDENTIAL AND COMMERCIAL METERED RATES

AVAILABLE: To customers of the Company in the areas of Crook and Deschutes Counties.

APPLICABLE: To all customers (excluding irrigation service and fire service).

BASE RATE

| Service Meter Size | Monthly Base Rate | Usage Allowance |
|--------------------|-------------------|-----------------|
| 5/8 inch | \$26.17 | None |
| 3/4 inch | \$35.69 | None |
| 1 inch | \$59.48 | None |
| 1 ½ inches | \$107.06 | None |
| 2 inches | \$190.34 | None |
| 3 inches | \$356.88 | None |
| 4 inches | \$594.80 | None |
| 6 inches | \$951.68 | None |
| 8 inches | \$1,903.35 | None |

COMMODITY RATE

| Commodity Rate | Per | Number Of Units | Unit Of Measure | Base Usage Allowance | Unit Of Measure |
|----------------|-----|-----------------|-----------------|----------------------|-----------------|
| \$.95 | Per | 100 | Cubic Feet | None | Cubic Feet |

SPECIAL PROVISIONS:

1. Water used during the construction of buildings, etc., shall be metered, whenever practical. Charges shall be made at the rates specified in this schedule. When setting of a meter is impractical, the amount of water used shall be estimated, and the charges shall be made at specified rates for the amounts so estimated.
2. City of Bend residents will be charged a monthly 3% franchise fee based off of a monthly total of all accounts recognized by the Oregon P.U.C. to set Avion's rates.

| | | | |
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PUC Oregon No.6
AVION WATER COMPANY, INC.

Original Sheet No. 4

IRRIGATION DELIVERY RATES

AVAILABLE: To all irrigation customers of the Utility in Deschutes County whose irrigation water source is Arnold, Swalley, or Central Oregon Irrigation Districts.

APPLICABLE: To those irrigation customers who have water rights adjudicated to the land for which the Utility has facilities to deliver the water under pressure to the customer's land.

BILLING PERIOD: Monthly rates for irrigation service are charged throughout the year. The same customer disconnection and reconnecting irrigation service within the same twelve month period will be billed for continuous service at the time of reconnection.

IRRIGATION BASE AND VARIABLE RATES

| | |
|---|---|
| Water Delivery Charge Base Rate per Month | 10.43 per customer premise |
| Water Delivery Charge Variable Rate per Month | \$7.78 per acre feet of water right adjudicated to the customer's premise |
| Irrigation Water Assessment | "At Cost" |

| | | | |
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PUC Oregon No.6
AVION WATER COMPANY, INC.

Original Sheet No. 5

SCHEDULE NO. 3**MISCELLANEOUS SERVICE CHARGES**

This schedule lists the miscellaneous charges included in the Utility's Rules and Regulations; refer to the appropriate rules for an explanation of charges and conditions under which they apply.

Connection Charge for New Service (Rules No. 8 & 9)

| | |
|--|---------|
| Standard ¾-inch service | At cost |
| Nonstandard ¾-inch service | At cost |
| Larger than ¾-inch | At cost |
| Irrigation hookup (if provided on separate system) | At cost |

Meter Test (Rules No. 20 & 21)

| | |
|------------------------------------|------|
| First test within 12-month period | N/C |
| Second test within 12-month period | \$25 |

Pressure Test (Rule No. 41)

| | |
|------------------------------------|------|
| First test within 12-month period | N/C |
| Second test within 12-month period | \$25 |

Late-Payment Charge (Rule No. 22)

| | |
|---|------------------------------|
| Charged on amounts more than 30 days past due | Pursuant to OAR 860-036-1400 |
|---|------------------------------|

Deposit for Service (Rule No. 5)

| |
|-----------------------------|
| Pursuant to OAR 860-0361220 |
|-----------------------------|

Returned-Check Charge/

| | |
|--|----------------------|
| <u>Non-Sufficient Funds Charge</u> (Rule No. 23) | \$25 each occurrence |
|--|----------------------|

Trouble-Call Charge (Rule No. 37)

| | |
|--|---------------|
| During normal office hours | \$25 per hour |
| After normal office hours on special request | \$35 per hour |

Disconnection/Reconnection Charge (Rules No. 28 & 29)

| | |
|--|---------------------|
| During normal office hours | \$25 per occurrence |
| After normal office hours on special request | \$35 per occurrence |

Unauthorized Restoration of Service (Rule No. 30)

| |
|--------------------------------|
| Reconnection charge plus costs |
|--------------------------------|

Damage/Tampering Charge (Rule No. 28)

| |
|---------|
| At cost |
|---------|

Disconnect Field Visit Charge (Rule No. 29)

| |
|------|
| \$25 |
|------|

Non-customer Hourly Rates

| |
|-----------------------------|
| \$40.00/hour plus materials |
|-----------------------------|

| | | | |
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PUC Oregon No.6
AVION WATER COMPANY, INC.

Original Sheet No. 6

SCHEDULE NO. 3 (Continued)
MISCELLANEOUS SERVICE CHARGES

Visa / MasterCard Transaction Fees \$0.75 Transaction fee per transaction

(An Authorization Fee applies only if Avion runs the transaction and receives a prompt to call for authorization. This happens when the card has been flagged for some reason.)

\$0.75 Authorization fee

(A Chargeback Transaction Fee applies only when a customer disputes a transaction but Visa/MasterCard finds it was an authorized transaction.)

\$12.00 Chargeback transaction fee

Special Note: Avion's Visa/MasterCard transaction fees will vary according to the rates charged by Visa/MasterCard. Avion is required to provide 30 days written notice to the Oregon PUC of any changes in these charges prior to their taking effect.

| | | | |
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PUC Oregon No.6
AVION WATER COMPANY, INC.

Original Sheet No. 7

FIRE SERVICE RATES

AVAILABLE: To fire service customers of the Utility in the areas of Deschutes and Crook Counties, Oregon.

APPLICABLE: To fire service customers with privately-owned and maintained fire service lines connected to the Utility mains.

FIRE SERVICE BASE RATE PER MONTH

| Fire Service Lines By Size | Rate |
|-----------------------------------|-------------|
| 4 inch and smaller supply | \$21.68 |
| 6 inch supply | \$47.47 |
| 8 inch supply | \$83.24 |
| 10 inch supply | \$129.19 |
| 12 inch supply | \$185.33 |

FIRE HYDRANT MAINTENANCE RATES

AVAILABLE: To fire service customers of the Utility in the areas of Deschutes and Crook Counties, Oregon.

APPLICABLE: To premises with fire hydrants located on premises.

BASE CHARGE PER MONTH: Per hydrant per month: \$13.66.

| | | | |
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PUC Oregon No.6
AVION WATER COMPANY, INC.

Original Sheet No. 8

RATES FOR COMMERCIAL WATER HAULERS

AVAILABLE: To commercial water haulers in Deschutes and Crook Counties where the Utility's facilities and excess capacity exist. Determination of adequacy of facilities and capacity is in the sole discretion of Avion Water Company, Inc. Each commercial water truck must be equipped with a suitable hydrant meter, suitable backflow prevention devices, and a fire hydrant wrench.

APPLICABLE: To all commercial water haulers.

COMMERCIAL WATER HAULERS MONTHLY RATE

| |
|---------------------------|
| \$1.06 per 100 cubic feet |
|---------------------------|

SPECIAL PROVISIONS:

1. Truck meters must be presented at Avion's office between the 1st and the 5th of each month. Bills for service are due in accordance with the tariff.
2. Commercial water haulers detected not using meters or proper equipment may be denied service for one month for the first offense, and denied service completely for a second offense.

| | | | |
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PUC Oregon No.6
AVION WATER COMPANY, INC.

Original Sheet No. 9

EQUAL PAYMENT PLAN

AVAILABLE: To residential customers of Avion Water Company, Inc.

APPLICABLE: To residential customers of Avion Water Company, Inc.

EQUAL PAYMENT PLAN:

At the option of the customer, residential service billings may be rendered in equal monthly amounts provided the customer has satisfactory credit or account balances not exceeding the calculated equal monthly billing. At the Utility's option, the plan may be offered to commercial customers.

The Equal Payment Plan (EPP) shall consist of 12 equal monthly billings, based on an average actual cubic feet usage for the most recent 12 months billed at the current rates. Customers must have 12 months account history at the address to qualify for EPP. When rate schedules change, the EPP will be re-computed based on the new approved rates.

EPP accounts shall be reviewed after the first twelve months of billing and at least annually thereafter. During the annual review month, the actual accounts receivable balance (debit or credit) shall be incorporated into the estimate for the next 12 months on the EPP unless the customer requests that the account balance be settled at that time.

The EPP may be reviewed and amended by the Utility as needed in response to changing prices or variations in the customer's water usage.

Enrollment in the EPP may occur at any time. Customers may cancel their EPP by notifying the Utility and paying the total account balance. The Utility reserves the right to cancel a customer's EPP if they are delinquent on payment of the equal monthly billing.

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SCHEDULE NO. 7**RESIDENTIAL UNIT EQUIVALENTS BY METER SIZE**

AVAILABLE: To customers of the Utility in the areas of Crook and Deschutes Counties.

APPLICABLE: To developers of projects using the Utility's water service.

RESIDENTIAL UNIT EQUIVALENTS BY SERVICE METER SIZE

| Service Meter Size | AWWA Multiplier | Fee |
|---------------------------|------------------------|------------|
| 5/8" x 3/4" inch | 1 | \$1,000 |
| 3/4 inch | 1.5 | \$1,500 |
| 1 inch | 2.5 | \$2,500 |
| 1 1/2 inch | 5.0 | \$5,000 |
| 2 inch | 8.0 | \$8,000 |
| 3-inch | 15 | \$15,000 |
| 4 inch | 25.0 | \$25,000 |
| 6 inch | 50.0 | \$50,000 |
| 8 inch | 80.0 | \$80,000 |
| Less than 4 inch fire | 2.0 | \$2,000 |
| Greater than 6 inch fire | 4.0 | \$4,000 |

SPECIAL PROVISIONS:

1. Multiple family projects are charged based upon meter size required.
2. Condominium projects or similar projects are charged based upon meter size per unit.
4. Multipliers are provided by the American Water Works Association (AWWA).

| | | | |
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SCHEDULE NO. 8

Reserved for Future Use

| | | | |
|------------|---------------------------|-----------------------------------|-----------------|
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COMMODITY POWER COST ADJUSTMENT

Schedule No. 9 is an "Automatic Adjustment Clause" as defined in ORS 757.210.
It is subject to review by the Commission at least once every two years.

PURPOSE: To define procedures for periodic revision in rates due to changes in the Utility's purchased commodity power cost, to describe how a rate change for purchased commodity power cost is calculated, and identify any other requirements.

APPLICABLE: The commodity power cost adjustment applies to the following schedules contained in the Utility's tariffs: Schedules 1, 2, 4, and 5.

COMMODITY POWER COST ADJUSTMENT

Changes under the applicable schedules are subject to increases or decreases that may be made without prior hearing to reflect the changes in the Utility's purchased power costs resulting from adjustments in the rate of the Utility's power suppliers. Such adjustments may be shown in Schedule 1 and 2, or may be incorporated directly in the applicable rate schedules.

The Utility may file purchased power cost adjustments periodically to be effective upon the date its power suppliers implement rate changes. If the Utility chooses to file for power cost increases, it is obligated to file for decreases in power costs.

DESCRIPTION OF POWER COST ADJUSTMENT CALCULATION FOR DOMESTIC WATER

Current power rate per 100 cf of water, multiplied by the power provider's percentage increase, multiplied by the power provider's allocation, equals the power cost adjustment per 100 cf. For example, PacifiCorp provides 56.22 percent of the Utility's electric power for domestic water. A 30 percent increase by PacifiCorp would result in the following power cost adjustment:

| Current Power Rate | Percentage Increase | Allocation |
|---------------------------|----------------------------|-------------------|
| \$0.2422 | 30% | 0.5622 |

$$\$0.2422 \times 0.30 \times 0.5622 = \$0.041 \text{ increase per 100 cf.}$$

| | | | |
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DESCRIPTION OF POWER COST ADJUSTMENT CALCULATION FOR
IRRIGATION WATER

Current power rate per acre feet of water, multiplied by the percentage increase in power costs, multiplied by the power provider's allocation, equals the power cost adjustment per acre foot of water. For example, PacificCorp provides 68.21 percent of Avion's electric power for irrigation water. A 30 percent increase by PacificCorp would result in the following:

| Current Power Rate | Percentage Increase | Allocation |
|--------------------|---------------------|------------|
| \$41.694 | 30% | 0.682 |

$$\$41.694 \times 0.30 \times 0.682 = \$8.521 \text{ increase per acre foot of water}$$

Similar calculation would be needed for each power supplier that changed its rates. The effect of these calculations would be a rolling forward current cost increase or decrease. Likewise, current power costs should be recalculated, providing a new basis for power cost at each future rate case to account for any changes in the distribution of power use among suppliers (a change in allocation). The Allocation index must be recalculated at two year intervals from the effective date of this schedule.

OTHER REQUIREMENTS

Avion shall, whenever possible, utilize its pumping operations at off-peak times in order to promote energy conservation. Avion will adopt a time-of-day usage of electric power from power suppliers who offer such a conservation tariff.

| | | | |
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PUC Oregon No.6
AVION WATER COMPANY, INC.

Original Sheet No. 14

SCHEDULE NO. 10**CROSS CONNECTION CONTROL PROGRAM (PROGRAM) BACKFLOW
PREVENTION DEVICE SERVICES AND FEES**

PURPOSE: Avion Water Company offers its customers backflow prevention device/double check valve assembly (DCVA) testing, maintenance, and repair services (the Program).

AVAILABLE: To customers of Avion Water Company, Inc. (Avion), in Deschutes and Crook Counties, Oregon.

APPLICABLE: To residential and commercial/industrial premises with 1" or smaller DCVAs installed at the meter.

ENROLLMENT: Avion WILL ENROLL all customers with DCVAs installed at the meter in this Program UNLESS the customer signs an "OPT OUT" NOTICE and returns such notice to Avion.

PROGRAM DESCRIPTION

1. **TESTING SERVICE** – Avion will provide the required DCVA annual test by a state certified tester pursuant to Oregon Administrative Rules 333-061-0070 through OAR 333- 061-0072.
2. **MAINTENANCE AND REPAIR SERVICE** – Avion will provide maintenance and repairs on customer-owned DCVAs installed at the meter. Maintenance does not include the start up, blow out, or other freeze protection of assemblies on irrigation systems. Replacement of DCVA is the responsibility of the customers and is not covered by Avion's DCVA maintenance and repair services.

PROGRAM RATES

1. **ALL CUSTOMERS ENROLLED IN PROGRAM**
Monthly rate (itemized separately on customer water bill): \$2.76
2. **ALL CUSTOMERS WHO OPT OUT, BUT CHOOSE AVION AS A DEFAULT SERVICE SUPPLIER ON THEIR OPT OUT NOTICE**
At the time of annual testing, Avion will bill customers: \$45.00

| | | | |
|------------|---------------------------|-----------------------------------|-----------------|
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SCHEDULE NO. 10 (CONTINUED)**CROSS CONNECTION CONTROL PROGRAM
BACKFLOW PREVENTION DEVICE SERVICES AND FEES****OPT OUT CUSTOMERS WHO FAIL TO PROVIDE DCVA TEST RESULTS**

OPT OUT customers who fail to provide Avion with annual DCVA test results by the customer's annual deadline will be disconnected from water service pursuant to OAR 860-036-0245 (DISCONNECTION PROCEDURES FOR ALL CUSTOMERS OF WATER UTILITY SERVICES) or OAR 860-036-0215 (EMERGENCY DISCONNECTION).

SPECIAL PROVISIONS:

1. The customer is under no obligation to use Avion's DCVA services.
2. The customer can choose any qualified company or individual to test, maintain, and repair his/her DCVA.
3. Avion will provide each customer with notification of the Program services being offered. The notification shall include a written Program refusal (OPT OUT NOTICE).
4. Customers who choose to OPT OUT of the Program must sign the written OPT OUT NOTICE and return it to the Company.
5. Customers who choose to OPT OUT of the Program are responsible for the annual testing, maintenance, repair, and replacement of their DCVAs.
6. Avion will notify each customer who OPTS OUT of the Program 30 days prior to the annual test results due date. Annual test results must be provided to Avion on or before the customers' annual deadlines.
7. Avion reserves the right to propose before the Public Utility Commission of Oregon any change in the amount charged for the Program services.
8. Customers will be given the choice of accepting or rejecting a new agreement in advance of any rate increase.

| | | | |
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PUC Oregon No.6
AVION WATER COMPANY, INC.

Original Sheet No. 16

SCHEDULE NO. 11**DESCHUTES RIVER RESTORATION PROGRAM VOLUNTARY RESIDENTIAL
AND COMMERCIAL METERED RATES**

AVAILABLE: To customers of the Company in the areas of Crook and Deschutes Counties who elect to participate in "Deschutes River Restoration" Program.

APPLICABLE: To all customers of Avion.

BASE RATES:**Rate Schedule (5/8" x 3/4" Meters)**
(Sample)

| Participation Level | Residential Equivalents | Monthly Mitigation Charge | Residential Rate 5/8" Meter | Residential Rate 3/4" Meter |
|----------------------------|--------------------------------|----------------------------------|------------------------------------|------------------------------------|
| A | 1 | \$1.60 | \$27.77 | \$37.29 |
| B | 2 | \$3.20 | \$29.37 | \$38.89 |
| C | 3 | \$4.80 | \$30.97 | \$40.49 |
| D | 4 | \$6.40 | \$32.57 | \$42.09 |

SPECIAL CONDITIONS:

1. Rates for participation level are added to customer's base rate in Schedule 1.
2. Customers may elect to discontinue the voluntary program at any time and not receive any charges.
3. The total amount collected each month will be passed on directly to the Deschutes River Conservancy with the express purpose of purchasing water rights to dedicate in-stream to the Deschutes River.
4. The amount received will be transferred to the Deschutes River Conservancy on the 15th of each month.
5. The registration form will be included with billing statements once every two years and will be available at the office.

| | | | |
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SCHEDULE NO. 12**WOODRIVER VILLAGE TARIFF – SYSTEM IMPACT FEE**

PURPOSE: To provide money for upgrading the Woodriver Village main service line without causing undue financial burden upon any one developer.

AVAILABLE: To customers of the Utility at Deschutes and Crook Counties, Oregon, and vicinity.

APPLICABLE: To developers of projects in Woodriver Village, Bend, Oregon using the Company's water service.

COST ESTIMATE OF INSTALLING MAIN SERVICE LINE:

Excavation = \$56,500
 Pipe and Fittings = \$13,648.78
 PRV Station = \$17,000
 Contingency (10%) = \$87,148.78 * (.10) = \$8,714.88
 Total = \$95,864

Initial amount of lots required to commence the project is estimated to be at 20 lots. To fulfill local Fire Marshall requirements for fire flow, the standard meter size will be 1".

WOODRIVER VILLAGE SYSTEM IMPACT FEE - SCHEDULE A:**RESIDENTIAL UNIT EQUIVALENTS BY SERVICE METER SIZE**

| Service | Fee |
|--------------------------------|------------|
| Standard Meter Connection – 1" | \$4,793.20 |
| Less than 4 inch fire | \$2,000 |
| 6 inch and greater fire | \$4,000 |

As a result, the 1 inch system impact fee will equal = \$4,793.20 per lot (\$95,864 / 20 lots). This amount is subject to refunds pursuant to Oregon Administrative Rule 860-036-0065 and Avion Rules 10 and 11 as contained in Avion's tariffs. The system impact fees collected for this area will be deposited into a separate account.

When the target amount of \$95,864 is reached, the project will be re-estimated and providing the cost is within the budget limits of collections, the line will be installed. If the cost of installation is above the collected amount, additional system impact fees will be collected at the rates listed in the above Woodriver Village System Impact Fee - Schedule A until the new target is reached. This procedure will be repeated until the project is able to be completed.

| | | | |
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AVION WATER COMPANY, INC.

Original Sheet No. 18

Refunds - Ten year Line share Agreement: The estimated amount of new lots that will be added in 10 years after completion of the line improvement is 100 lots.

The System Impact Fee for next 100 lots (1 inch meter) would equal \$2,500 (Avion Schedule 7 cost).

These system impact fees will be divided as follows: \$2,041.36 to Avion that will be used as contributions in aid of construction and \$458.64 distributed evenly among the original participants. As a result of the advance and refund provisions, the original participants will at full build out, pay the Avion Schedule 7 Residential Unit Equivalent for a 1 inch meter (\$2,500).

Refunds will only occur for the ten year period following completion of the project or when 120 units are developed.

WOODRIVER VILLAGE SYSTEM IMPACT FEE - SCHEDULE B:

RESIDENTIAL UNIT EQUIVALENTS BY SERVICE METER SIZE

| Service | Fee |
|--------------------------------|---------|
| Standard Meter Connection – 1" | \$2,500 |
| Less than 4 inch fire | \$2,000 |
| 6 inch and greater fire | \$4,000 |

The residential unit equivalents by meter size fees will return to the rate listed on Schedule No. 7 after the first 120 lots or 10 years after completion of the new service main.

Any contribution received over the initial construction costs will be recorded as contributions in aid of construction and used for future system capacity costs.

SPECIAL CONDITIONS:

1. All Woodriver Village funds will be maintained in a separate account.
2. Avion will provide annual construction / construction funds update to Commission Staff by February 1 of each year for the ten-year line share agreement duration.

| | | | |
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Schedule NO. 13**NOTTINGHAM IRRIGATION CUSTOMERS**

AVAILABLE: To all bulk irrigation customers in Nottingham subdivision, Bend, Oregon

APPLICABLE: To those irrigation customers who do not have water rights adjudicated to their land yet, still receive bulk irrigation service.

BILLING PERIOD: Monthly rates for irrigation service are charged throughout the year.

FLAT RATE

| Bulk Water | Monthly Base Rate | Usage Allowance |
|--|--------------------------|------------------------|
| Nottingham Square Residential | \$36.57 | N/A |
| Nottingham Square HOA (17 Residential Equivalents) | \$621.69 | N/A |

| | | | |
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AVION WATER COMPANY, INC.

Original Sheet No. 20

RULES AND REGULATIONS**Rule 1: Jurisdiction of the Commission**Water systems are subject to regulation as provided under ORS Chapter 757**Rule 2: Definitions**

- A. "Applicant" means a person who does not meet the definition of a customer, who applies for service with a water utility.
- B. "Commission" shall mean the Public Utility Commission of Oregon.
- C. "Commercial service" means water service provided by the water utility that the customer uses in the promotion of a business or business product that is a source of revenue or income to the customer or others using the premises.
- D. "Customer" means a person who is currently receiving water service and is entitled to certain rights as a customer under these rules. A residential customer retains customer status for 20 calendar days following voluntary disconnection of service and must be treated as a customer if he or she reapplies for service within that 20 calendar day period.
- E. "Customer's service line" is defined as the facilities used to convey water from the point of connection to the customer's point of usage. The customer owns and maintains the customer service line.
- F. "Residential service" means water service provided for domestic or irrigation purposes in a residential area and is not considered a commercial service.
- G. "Served" for purpose of delivery of any required notice or document, unless otherwise specifically noted, means: delivered in person, by personal contact over the telephone, or in writing delivered to the party's last known address. If delivered by US Mail, the notice is considered served two calendar days after the date postmarked, the date of postage metering, or deposit in the US Mail, excluding Sundays and postal holidays.
- H. "Utility" shall mean: AVION WATER COMPANY, INC.
- I. "Water service connection" is defined as the facilities used to connect a water utility's distribution network to the point of connection at the customer's service line. The water utility owns and maintains the water service connection.

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APPLICATION FOR SERVICE**Rule 3: Information for Applicants and Customers (OAR 860-036-1100)**

The Utility shall provide or be able to provide customers or applicants with the following information:

- A. A copy of its approved tariffs or statement of rates;
- B. A copy of the utility's rules and regulations applicable to the type of service being provided; and
- C. The option to receive electronic copies of all written notices to be issued on the customer's account.

Rule 4: Application for Service (OAR 860-036-1200)

Application for water service must be made for each individual property to be served. The application shall identify the name of the applicant, the service address, the billing address, the contact information where the applicant can be reached, the type of water service requested and its intended use, and the name to be used to identify the account, if different than the applicant's actual name. The applicant shall, at this time, pay any scheduled fees or deposits. An application is a request for service and shall not be accepted until the applicant establishes credit as set forth in OAR 860-036-1210.

An application for service must be made where:

- A. An applicant, who has not previously been served by the Utility, requests service; or
- B. Service has been involuntarily discontinued in accordance with the Utility and Commission rules, and service is requested; or
- C. Service has been voluntarily discontinued and a request to restore service has not been made within 20 days; or
- D. There is a change in the type of use to which the water is put, or the number of premises served.

Rule 5: Establishment of Credit, Surety Agreements, Deposits, Interest, and Refunds of Deposits (OAR 860-036-1210, 1220, 1230, 1240, 1250, and 1260)

The utility may require an applicant or customer to pay a deposit as a guarantee of payment for services provided. Amounts held by a water utility may not exceed one-sixth of the actual or estimated annual billing for the premises. (OAR 860-036-1220)

The water utility may adjust the deposit amount when a customer moves to a new location within the water utility's service area, and the anticipated bill at the new residence will be at least 20 percent greater than the basis of the existing deposit. (OAR 860-036-1220(5))

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The Utility must inform any residential applicant or customer who is required to pay a deposit of the opportunity to provide a written surety agreement in lieu of paying the deposit. A surety agreement obligates another qualifying residential customer of the same utility to pay an amount up to the required deposit if the secured account is later disconnected and a balance remains owing following the due date for the closing charges. To qualify as a surety, the other residential customer must have had 12 months of continuous service with the Utility without a late payment. (OAR 860-036-1230)

The Utility shall pay interest on deposits at the rate established by the Commission. After the customer has paid its water service bills for 12 consecutive months without having had service discontinued for nonpayment, or did not have more than two occasions in which a shut-off notice was issued, and the customer is not then delinquent in the payment of bills, the Utility shall promptly and automatically refund the deposit plus accrued interest by **(check one)** (OAR 860-036-1250 and 1260):

- ☐ 1. Issuing the customer a refund check, or
☒ 2. Crediting the customer's account; however, a customer is entitled to a refund upon request pursuant to OAR 860-036-1260

Rule 6: Customer Service Line (OAR 860-036-1300(2))

The customer shall own and maintain the customer service line and promptly repair all breaks and leaks. For non-metered service, the customer service line begins at the property line or utility-owned shut-off valve. For metered service, the customer service line begins on the customer's side of the meter or utility-owned shut-off valve. The Utility shall not be responsible for any damage or poor service due to inadequacy of the customer service line or any portion of the customer's plumbing. All leaks in the customer service line, faucets, and all other parts of the plumbing owned or controlled by the customer shall be promptly repaired so as not to waste water.

Rule 7: Separate Control of Service

All premises supplied with water will be served through service lines so placed as to enable the Utility to control the supply to each individual premise using a valve placed within and near the line of the street, the Utility right-of-way, or at the meter.

Rule 8: Water Service Connections (OAR 860-036-1300)

The water service connection is defined as the facilities used to connect the Utility's distribution network to the point of connection at the customer's service line. The Utility owns, operates, maintains, and replaces the service connection when necessary and promptly repairs all breaks and leaks. The customer shall not be responsible for any

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damage or poor service due to inadequacy of the Utility's service lines or any portion of the Utility's plumbing.

- A. The Utility may pay for and install the service connection and meter and, generally all materials and labor are included in rate base; or
- B. The Utility may purchase and install the service connection and charge the customer the cost of the service connection less the cost of the meter. Generally, the cost of the meter is included in rate base; or
- C. The customer may pay for the meter and contribute or gift the meter to the Utility. Contributions of this type are generally excluded from rate base.
- D. In special cases and upon approval by the Commission, a customer may purchase and install the service connection (including meter, meter box, parts, and all excavation and plumbing) and contribute or gift the entire service connection to the Utility. Contributions of this type are generally excluded from rate base.

Avion will generally proceed with method A above.

The customer will provide access during reasonable hours to company-owned service lines that extend on to the premises of the customer for the purposes of reading meters, maintenance, or removal of Utility property at the time service is to be terminated.

Rule 9: Service Connection Charge (OAR 860-036-1300(3))

An applicant requesting permanent water service to a premise not previously supplied with permanent service by the Utility may be required to pay the cost of the service connection, including or excluding the meter as provided in Rule No. 8 and the Utility's Miscellaneous Service Charges in this tariff.

Rule 10: Main Line Extension Policy (OAR 860-036-1310)

A main line extension is defined as the extension of the Utility's main line necessary to provide service to a customer when the property does not currently have main line frontage.

Main line extension charges, if any, are stated in the Utility's tariff or statement of rates.

The Utility shall specify the size, character, and location of pipes and appurtenances in any main line extension. Main line extensions shall normally be along streets, roads, highways, or other satisfactory rights-of-way. All construction work shall conform to all applicable rules, regulations, codes, and industry standards. Each main line extension shall normally extend along applicant's property line to the point the applicant's service line would be at a 90-degree angle to the street or main line.

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Rule 11: Main Line Advances and Refunds Policy

Extensions to the main will be made by the Utility along only streets, county roads, highways, or satisfactory rights-of-way; provided that in these cases of extension pressure conditions permit and the Utility has sufficient water to supply additional demands without detriment to those customers already being served. The following provision governing service shall apply.

The utility may require each applicant, for new service, to provide the main line extension when required to bring service to the applicant's premise. The main line extension will continue along the applicant's property line to the point where the applicant's service line would be at a 90 degree angle to the street or main line.

Each new customer requesting a main line extension shall advance the Utility the cost-base amount necessary to extend the main line to provide service to the applicant prior to receiving service.

For a period of 5 years after construction of the requested main line extension, an amount per foot equal to the new applicant's proportionate share (per lineal feet) of the main line extension cost for that portion used. No part of the distribution system installed prior to the request for a main line extension shall be used to calculate any customer advance or refund.

The Utility will then refund the share differential amount to those customers who previously shared the cost of said main line extension. Refunds shall not exceed the amount originally advanced. Refunds are based upon line length constructed, or property frontage, whichever is appropriate.

Main line extensions that serve tracts, subdivision, housing projects or industries may be a matter of special contract with the promoters. Special contracts are subject to review by the Public Utility Commission.

Rule 12: Types of Use

Water service may be supplied for residential, commercial, irrigation, temporary construction, special contracts, fire prevention, and other uses. The Utility shall file separate rate schedules for each type of use and basis of supply.

Rule 13: Multiple Residences/Commercial Users

An apartment building, mobile home park, motel, trailer camp, duplex, townhouse, or any property consisting of more than one residential/commercial unit, if served through one service line, shall be considered to be equivalent to the number of dwelling units when determining the customer count.

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Rule 14: Utility Access to Private Property (OAR 860-036-1370, -1500)

Customers shall provide regular access to Utility-owned service lines that may extend onto the customer's premises for the purposes of reading meters, maintenance, inspections, or removal of Utility property at the time service is to be discontinued. Where the customer does not cooperate in providing reasonable access to the meter or to the premises, as required by law or to determine if a health or safety hazard exists, it is grounds for disconnection.

Rule 15: Restriction on Entering a Customer Residence (OAR 860-036-1330)

No Utility employee shall enter the residence of its customers without proper authorization except in an emergency when life or property is endangered.

REFUSAL OF SERVICERule 16: Refusal of Service Due to Customer Accounts (OAR 860-036-1270)

The Utility may refuse to provide service if:

- A. The applicant has amounts owing under a tariff or statement of rates; or
- B. The applicant for residential service has a roommate with amounts owing under a tariff or statement of rates, and the applicant lived with the roommate at the time the amounts owing were incurred.

Exception: If the applicant for residential service was a former residential customer with amounts owing, was involuntarily disconnected for non-payment, and applies for service within 20 calendar days of the disconnection, the Utility must provide service upon receipt of one-half of the amount owed with the remainder due within 30 calendar days. If the former customer fails to pay the remaining amounts within 30 calendar days, the Utility may disconnect service after issuing a 7-calendar day disconnection notice in accordance with OAR 860-036-1510(4).

If service is disconnected, the Utility may refuse to restore service until it receives full payment of all amounts owing, including reconnection charges allowed under OAR 860-036-1580.

Service shall not be refused for matters not related to water service.

Residential service shall not be refused due to obligations connected with nonresidential service. If service is refused under this rule, the Utility shall inform the applicant or customer of the reasons for the refusal and of the Commission's dispute resolution process.

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Rule 17: Refusal of Service Due to Utility Facilities (OAR 860-036-1270)

The Utility shall not accept an application for service or materially change service to a customer if the Utility does not have adequate facilities, resources or capacity to render the service applied for, or if the desired service is of a character that is likely to unfavorably affect reasonable service to other customers.

For refusal of service under this rule, the Utility shall provide a written letter of refusal to the applicant within seven calendar days, informing applicant that the details upon which the Utility's decision was based may be requested.

The details will include, but not be limited to:

- A. Provide the information required by OAR 860-036-1100(2);
- B. Explain the specific reasons for refusing water service;
- C. Inform the applicant of the right to request details upon which the Utility's decision was based; and
- D. Inform the applicant of the right to dispute the refusal by contacting the Consumer Services Section at the contact information provided in OAR 860-001-0020(2).

Rule 18: Refusal of Service Due to Customer Facilities (OAR 860-036-1270)

The Utility will refuse service to an applicant whose facilities do not comply with applicable plumbing codes or, if in the best judgment of the Utility, are of such a character that safe and satisfactory service cannot be given.

If service is refused under this rule, the Utility will provide written notification to the applicant within seven calendar days stating the reason(s) for refusal and providing information regarding the Commission's complaint process.

METERS**Rule 19: Utility Meters (OAR 860-036-1350)**

The Utility shall own, maintain, and operate all meters. Meters placed in service will be adequate in size and design for the type of service, set at convenient locations, accessible to the Utility, subject to the Utility's control, and placed in a meter box or vault between the street curb and property line. Each meter box or vault will be provided with a suitable cover.

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Where additional meters are installed by the Utility or relocated for the convenience of the customer, the actual cost incurred for any meter relocation requested by the customer will be assessed.

The Utility shall have the right to set meters or other devices for the detection and prevention of fraud or waste without notice to the customer.

Each customer shall provide the Utility with regular access to its meter, including removal of barriers and snow and ice. Customers whose meters are due to be read when snow or ice covers the meters will be notified by mail and informed that if they request their meter read, they should expose the meter box and notify the Utility and the Utility will read the meter.

Customers whose meters are blocked by other barriers will be notified that if the obstructions are not removed, the utility will estimate the customer's bill. Except for those customers notified as above, meter reading intervals will not exceed three months.

Failure to permit access at reasonable times and after the Utility provides reasonable written notice to the customer is grounds for disconnection of service. (OAR 860-036-1500)

Should damage result to the meter from molesting, tampering, or willful neglect on the part of the customer, the Utility shall repair or replace the meter and may bill the customer for the reasonable cost. (OAR 860-036-1590). Broken meters shall be repaired or replaced within 30 days of discovery.

Rule 20: Meter Testing (OAR 860-036-1350)

The meter will be tested prior to or within 30 days of installation to determine it is accurate to register not more than two percent error. No meter will be allowed to remain in service if it registers an error in excess of two percent (fast or slow) under normal operating conditions. The Utility will maintain a record of all meter tests and results. Meter test result records will include:

- A. Meter identification number and location;
- B. Reason for making the test;
- C. Method of testing;
- D. The beginning and ending meter readings;
- E. Test results and conclusion; and
- F. All data taken at the time of the test.

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Rule 21: Customer-Requested Meter Test (OAR 860-036-1360)

A customer may request that the Utility test the service meter once every 12 months at no cost. Such test shall be made within seven calendar days of the receipt of the request unless the customer fails to provide the Utility reasonable access to the meter. The customer or the customer's representative has the right to be present during the test, which is to be scheduled at a mutually agreeable time. Within seven calendar days of performing the requested meter test, report shall be provided to the customer stating:

- A. The name of the customer requesting the test and the service address where the meter was tested;
- B. The date the meter test was requested and the date the meter test was performed;
- C. The name of the person performing the test;
- D. The meter identification number and location;
- E. The beginning and ending meter readings; and
- F. The actual test results and conclusion.

If a customer requests a meter test more often than once in any 12-month period, and the test results indicate that the meter is registering within the two percent performance standard, the customer may be assessed a reasonable charge for the test if the charge is included in the Miscellaneous Service Charges Schedule. If the meter registers outside the two percent performance standard, the Utility may not charge the customer for the meter test.

BILLINGRule 22: Billing Information and Late-Payment Charge (OAR 860-036 1100(2), 1400, and 1430)

All bills, including closing bills, are due and payable at the Utility office within at least 15 days when rendered by deposit in the mail or other reasonable means of delivery, unless otherwise specified on the bill. The date of presentation is the date on which the Utility mails the bill.

As near as practical, meters shall be read **(check one)** ☐ monthly, ☒ bimonthly, or ☐ quarterly on the corresponding day of each meter reading or billing period. The bill will be rendered immediately thereafter. The Utility will provide its customers with timely billings every month or as indicated in its tariffs or statement of rates.

All water service bills will show:

- A. Separate line items for past due balance, payments and credits, new charges, late fees, and total account balance;
- B. The date new charges are due;

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- C. Calculation of new charges including base or flat rate, usage billing tiers and rates, beginning and ending meter readings, the dates the meter was read, rate schedule, billing period, and number of days in the billing period;
- D. The date any late payment charge was applied and an explanation of the terms of the late payment charge; and
- E. Any other information necessary for the computation of the bill.

The Utility will keep at least 10 years of all billings records (flat or metered rates) and three years of meter readings. The Utility shall make reasonable efforts to prepare opening and closing bills from actual meter readings. When there is good reason for doing so, estimated bills may be submitted. Any estimated billings shall be clearly designated as such. The utility will read meters with alternate months estimated on the following schedule:

Winter (November through February) residential usage will be estimated at 700 cubic feet per month.

Winter (November through February) commercial usage will be estimated from the previous actual meter reading or 700 cubic feet, whichever method provides the most consistent billing for the commercial customer. The Customer may request either method.

Summer (March through October) will be estimated based on the average of the previous three months usage. The Utility may decrease estimated billings based upon changes in plant pumping rates so that customers will, insofar as practical, not be overbilled.

A late-payment charge may be assessed against any account that has an unpaid balance when the next bill is being prepared. The charge will be computed on the delinquent balance owing at the time of preparing the subsequent month's bill at the late-payment rate specified in the Miscellaneous Service Charges Schedule. The late-payment rate is determined annually by the Commission, and the Utility will be notified of the rate.

If an account is permitted to become delinquent, the Utility may disconnect water service by giving proper notice to the customer as provided in Rules 28 & 29, prior to or after the Utility assesses the late payment charge

Rule 23: Returned Payment Charge

The Returned Payment, Non Sufficient Funds Charge listed on the Miscellaneous Service Charges Schedule 3 shall be billed for each occasion a customer submits any type of noncash payment (check, debit, electronic, etc.) that is not honored, for any reason, by a bank or other financial institution.

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Rule 24: Prorating of Bills

Initial and final bills will be prorated according to the number of days service was rendered and on the basis of a 31-day month. For metered services, a reasonable effort will be made to read the meter upon opening and closing a customer's account. Consumption will be charged at scheduled rates. Any minimum monthly charge will be prorated.

Rule 25: Adjustment of Bills (OAR 860-036-1440)

When an overbilling occurs, the Utility will refund or credit amounts incorrectly collected. No refund or credit will be issued for incorrect billings which occurred more than three years before the incorrect billing was discovered.

When an under-billing occurs, the Utility will issue a bill to collect amounts owing for the 12-month period ending on the date on which the water utility issued the last incorrect bill.

When such under collected amounts are billed to customers, the Utility will provide written notice to the customer detailing:

- A. The circumstances and time period of the billing error;
- B. The corrected bill amount and the amount of the necessary adjustment;
- C. The Commission's consumer complaint process; and
- D. The right for a current or former customer to enter into a time-payment agreement with the Utility.

The Utility will not bill for services provided more than two years before the underbilling was discovered. No billing adjustment will be required if a meter registers less than two percent error under conditions of normal operation. The Utility may waive rebilling or issuing a refund check when the costs make such action uneconomical.

Rule 25a: Transfer Billings (OAR 860-036-1450)

If the Utility determines that a customer owes an amount from a closed account the customer previously held with the Utility, the Utility may transfer the closed account balance to the customer's current account.

The Utility will give the customer prior notice of the transfer, including:

- A. The amount due under the prior account; and
- B. The period when the balance was incurred; and
- C. The service address under which the bill was incurred.

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If the customer has an amount remaining on an existing time-payment agreement, the customer may enter into a new time-payment agreement to include the transfer. The Utility will not transfer a balance owing on a non-residential account to a residential account.

This rule also applies to customers who change service locations, and who applied for the new service within 20 days of closing the prior account (thereby retaining customer status).

DISCONNECTION OF WATER SERVICE

Rule 26: Voluntary Discontinuance (OAR 860-036-1560)

A customer requesting disconnection of service must provide the Utility with at least seven calendar days' advance notice. The customer is responsible for all service provided for seven calendar days following the request for disconnection or until service is disconnected, whichever comes first; or if the customer identified a specific date for disconnection in excess of seven calendar days, the customer is responsible for service rendered up to and including the requested date of disconnection.

Rates are based on continuous service. Disconnect and reconnect transactions do not relieve a customer from the obligation to pay the base rate or minimum charge that accumulates during the period of time the service is voluntarily disconnected for up to 12 months. Should the customer wish to recommence service within 12 months at the same premise, the customer will be required to pay the accumulated minimum monthly charge or base rate as if service had been continuous. The reconnection charge listed on the Miscellaneous Service Charges Schedule will be applicable at the time of reconnection.

Nothing in this rule prevents the Utility from temporarily interrupting service to protect the health and safety of its customers or to maintain the integrity of its system.

Rule 27: Emergency Disconnection (OAR 860-036-1630)

The Utility may terminate service in emergencies when life or property is endangered without following the procedures set forth in OAR 860-036-1630. Immediately thereafter, the Utility will notify the customer and the Commission. When the emergency termination was through no fault of the customer, the Utility shall not charge the customer for disconnection or restoration of service.

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Rule 28: Disconnection of Water Service Charge for Cause (OAR 860-036-1500, -1510, -1520, -1530, and 1550)

The Utility may disconnect service when:

- A. A customer fails to pay charges due for services rendered under a water utility tariff or statement of rates;
- B. A customer fails to pay a deposit, fails to timely provide a surety under OAR 860 036-1230 or comply with its terms, or fails to comply with the terms of a deposit installment agreement under OAR 860-036-1240;
- C. A customer fails to comply by the terms of a payment agreement under OAR 860 036-1240(3) or 860-036-1420;
- D. A customer provides false identification to establish or to continue service;
- E. A customer has facilities that do not comply with the applicable codes, rules, regulations, or the best practices governing safe and adequate water service, including compliance with the water utility's Cross Connection Control Program;
- F. A customer fails to provide reasonable access to the meter or premises;
- G. A customer tampers with water utility facilities or engages in theft of service or unauthorized use of water;
- H. A customer fails to comply with water restriction requirements under OAR 860-036-1670; or
- I. The Commission approves the disconnection of service.

If the disconnection is due to failure to pay a deposit, secure a surety agreement, abide by a deposit installment agreement, abide by the terms of a payment arrangement, or due to the theft of service, tampering with utility property, diverting water, or unauthorized use of water, the Utility will provide one 7-day written disconnection notice prior to disconnection. For other disconnections, the Utility will provide two written notices in advance of disconnection: one 15-day notice and one 7-day notice.

If the disconnection is due to a customer's failure to comply with a water use restriction imposed under OAR 860-036-1670, the utility may disconnect the customer without issuing either a 15-calendar day or 7 calendar day disconnection notice.

The notices shall include:

- A. The name, mailing address, telephone number, emergency telephone number, and email address or website of the Utility,
- B. State that the customer's water service is subject to disconnection on or after a specific date;
- C. Provide the grounds for the proposed disconnection;
- D. State what actions the customer must take in order to avoid disconnection; and
- E. A statement that the customer may dispute the disconnection by contacting the Commission's Consumer Services Section.

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If the disconnection notice is for nonpayment, the notice shall also include:

- A. The amount the customer must pay to avoid disconnection;
- B. Provide information about the customer's eligibility for a time-payment agreement provided in OAR 860-036-1420 for residential customers, unless the customer is being disconnected for failing to comply with an existing time-payment agreement or has engaged in theft of service, tampering with utility property, diverting water, or unauthorized use of water; and; and
- C. A statement that once service is disconnected, the water utility will reconnect service only after the customer reapplies for service and pays all applicable charges..

The 7-calendar day and 15-calendar day advance written notices of disconnection will be hand-delivered in person to the customer or adult at the premises, or sent by the US Mail to the customer's billing address and designated representative. Mailed notices are considered served two calendar days after deposited in the US Mail, excluding Sundays and postal holidays. If the customer has requested to receive notices electronically, the Utility will provide an electronic notice in addition to the written notices.

Within 48 hours of disconnection, the Utility will make a good-faith effort to contact the customer or an adult at the residence and provide notice of the proposed disconnection. If contact is not made, the Utility shall leave a notice in a conspicuous place at the customer's premise informing the customer that service has been disconnected.

Disconnection of Water Service to Tenants:

- A. If a water utility's records show that a residential billing address is different from the service address, the water utility must mail a duplicate notice to the service address, unless the utility has verified that the service address is occupied by the customer.
- B. If a water utility's records show that the service location is a master-metered, multi-dwelling service address, the water utility must provide a duplicate of the 7-calendar day disconnection notice to each unit at the service address. The disconnection notice must be addressed to "Tenant." The envelope must bear a bold notice stating, "IMPORTANT NOTICE REGARDING DISCONNECTION OF WATER UTILITY SERVICE." Tenant notices may not include the dollar amount owing.
- C. The water utility must notify the Consumer Services Section at least seven calendar days before disconnecting service to a master-metered, multi-dwelling premise.

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Time Payment Agreements (OAR 860-036-1420)

Customers who are notified of pending disconnection, due to reasons other than theft of service, tampering, unauthorized use of water, or failure to abide by the terms of a Time Payment Plan, may choose between two Time Payment Agreement options. The Utility will offer such customers a choice of a levelized-payment plan and an equal-pay arrearage plan. The Utility and customer may mutually agree to an alternate payment arrangement provided it be in writing and signed by all parties.

Disconnection for Failure to Comply With a Time Payment Agreement (OAR 860-036-1510(4)(b))

A time-payment agreement disconnection occurs when a customer fails to comply with the terms of a written time-payment agreement between the customer and the Utility, or the Utility permits a time-payment agreement charge to become delinquent. The Utility will give the customer a 7- day written notice before the water service may be disconnected.

Rule 29: Disconnection, Reconnection and Field Visit Charge (OAR 860-036-1580)Disconnection and Reconnection Charges

When service was disconnected pursuant to (OAR 860-036-1500), the Utility may charge the disconnect fee and reconnect fee stated in its tariff prior to reconnecting service.

Field Visit Charge

The Utility may assess a field visit charge whenever the Utility visits a residential service address intending to reconnect or disconnect service, but due to customer action, the Utility is unable to complete the reconnection or disconnection at the time of the visit. The field visit charge is listed in the tariff.

Rule 30: Unauthorized Restoration of Service (OAR 860-036-1590)

After the water has been disconnected or shut off at the curb stop or at the meter, if any person not authorized by the Utility should turn it on, the water service line may be disconnected as provided by OAR 860-036-1510.

Rule 31: Unauthorized Use (OAR 860-036-1590)

No person shall be allowed to make connection to the Utility mains, or to make any alteration to service connections, or to turn a curb stop off or on to any premises without written permission of the Utility. If the Utility discovers that a customer tampered with or engaged in unauthorized use of utility property facilities, the Utility shall notify the customer of the violations and may take one or more of the following actions:

A. Repair or restore the facilities and charge the customer the costs incurred;

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- B. Adjust the customer's prior billing for loss of revenue under applicable tariffs or schedule of rates;
- C. Initiate a service disconnection as provided by OAR 860-036-1510;
- D. Require a new application for service that accurately reflects the customer's proposed water use; and
- E. Assess a deposit for restored or continued service.

Rule 32: Interruption of Service (OAR 860-036-1630, -1640)

The Utility may perform an unscheduled interruption of service as necessary to protect the health and safety of its customers or to maintain the integrity of its system. If an unscheduled interruption of service is required, the water utility must:

- A. Make a reasonable effort to notify the customers affected and the Consumer Services Section in advance of the interruption;
- B. Report the unscheduled interruption to the Consumer Services Section at the contact information provided in OAR 860-001-0020(2), and
- C. Restore service as soon as it is reasonably possible after resolving the issue, unless other arrangements are agreed to by the affected customers.

The Utility may schedule water service interruptions for maintenance and repairs in such a manner that reasonably minimizes customer inconvenience. The Utility will provide advance written notice to all customers affected by any scheduled service interruption, and will post the notice in the utility's office and on its website, if available. The notice will include:

- A. The name, mailing address, telephone number, emergency telephone number, and email address or website of the Utility;
- B. The date, time, and estimated duration of the scheduled interruption;
- C. The purpose of the interruption;
- D. A statement cautioning customers to avoid using water during service interruptions to prevent debris in the customers' service lines; and
- E. The contact information for the Consumer Services Section provided in OAR 860 001-0020(2).

Notices of scheduled interruptions of service must be served by a door hanger or personal delivery to an adult at the affected premises at least five calendar days in advance of the service interruption or by US Mail at least ten calendar days prior to the service interruption.

In addition electronic notice must be provided to customers who requested to receive notices electronically.

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Rule 33: Water Usage Restrictions (OAR 860-036-1670)

The Utility shall exercise due diligence to furnish a continuous and adequate supply of water to its customers. During times of water shortage, the Utility will equitably apportion its available water supply among its customers with regard to public health and safety. In times of water shortages, the Utility may restrict water usage after providing written notice to its customers and the Consumer Services Section. Notice will also be posted in the Utility's office and on its website, if available. The notification must state the reason and nature of the restrictions, the date restrictions will become effective, the estimated date the restrictions end, and that failure to comply with the restrictions is grounds for disconnection.

If a customer fails to comply with the water restrictions after receiving written notification, the Utility will provide a separate written warning letter to the customer including:

- A. The date;
- B. The name, mailing address, telephone number, emergency telephone number, and email address or website of the Utility;
- C. The customer's name, account number, mailing address, service address if different;
- D. The water use restrictions and statement of how the customer is violating those restrictions;
- E. A statement that the customer's water service is subject to disconnection on or after a specific date;
- F. A warning to the customer that failure to immediately comply with the restrictions may result in disconnection of service; and
- G. A statement that the customer may dispute disconnection by contacting the Consumer Services Section. The notice must include the Consumer Services Section's contact information provided in OAR 860-001-0020(2).

If a customer fails to comply with the water restrictions after receiving written notification and the warning letter, the Utility will consult with the Consumer Services Section to determine if disconnection is appropriate.

Rule 34: Damages/Tampering

Should damage result to any of the Utility's property from molesting or willful neglect by the customer to a meter or meter box located in the customer's building, the Utility will repair or replace such equipment and will bill the customer for the costs incurred. (OAR 860-036-1590).

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SERVICE QUALITY**Rule 34: Adequacy of Water Service (OAR 860-036-1600)**

The Utility will maintain its facilities according to industry rules, regulations, and standards and in such condition to provide safe, adequate, and continuous service to its customers.

The Utility will not intentionally diminish the quality of service below the level that can reasonably be provided by its facilities.

Rule 35: Work Quality

No person shall be allowed to make connections with the mains, alterations to the service lines, or turn water off or on to any premises without the permission of the Utility. The Utility shall specify the size, character and location of pipes and appurtenances in any main extension. All construction work to the Utility's system will conform to State and Utility approved standards.

Rule 36: Shut Off for Repairs

The Utility shall have the right to shut off the water supply temporarily for repairs or other necessary purposes. The Utility will use all reasonable and practical measures to notify the customer in advance of such discontinuance of service except in the case of emergency repairs. The Utility shall not be liable for any inconveniences suffered by the customer or damage to customer property arising from such discontinuance of service

Rule 37: Trouble Call

The trouble-call charge listed on the Miscellaneous Service Charges Schedule may be billed whenever a customer requests that the Utility visit the customer's premises to remedy a service problem and the problem is due to the customer's facilities.

Rule 38: Water Purity (OAR 860-036-1610)

The Utility will provide a domestic water supply that is free from bodily injurious physical elements and disease-producing bacteria and reasonably free from elements that cause physical damage to customer property, including but not limited to pipes, valves, appliances, and personal property.

Rule 39: Water Pressure (OAR 860-036-1650)

The Utility will maintain adequate water pressure. In general, water pressure measuring between 45 and 80 pounds per square inch in the water mains is considered adequate. However, adequate pressure may vary depending on each individual water system.

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The Utility may temporarily reduce or increase water pressure for fire flows, noticed repairs and maintenance, scheduled or emergency flushing, and unscheduled or emergency repairs and outages.

Rule 40: Pressure Surveys (OAR 860-036-1650)

The Utility will maintain permanent pressure recording gauges at various locations to measure the system's water pressure, and will have a portable gauge to measure water pressure in any part of the system. The Utility will maintain all pressure gauges in good operating condition, test periodically for accuracy, and recalibrate or replace when necessary.

Rule 41: Customer-Requested Pressure Test (OAR 860-036-1660)

Upon customer request, the Utility will perform a water pressure test within seven calendar days of the request. The first pressure test in any 12- month period will be at no charge. If the customer requests an additional pressure test within any 12-month period at the same premises, the Utility will assess the customer a charge in accordance with the service charges set forth in Schedule 3 of the tariff. For metered service, the pressure will be tested at a point adjacent to the meter on the customer's service line.

For non-metered service, the pressure will be tested at the customer's service line or hose bibb or other reasonable point likely to best reflect the actual service pressure.

The Utility will provide a written report to the customer within seven calendar days of the pressure test. The report will include:

- A. The name, mailing address, telephone number, emergency telephone number, and email address or website of the Utility;
- B. The customer's name and service address where the pressure was tested;
- C. The date the pressure test was requested and the date the pressure test was performed;
- D. The name of the company or employee performing the test;
- E. The place where the pressure was measured;
- F. The actual pressure reading; and
- G. The conclusion based on the test result.

Rule 42: Utility Line Location (One Call Program)

The Utility and its customers will comply with the requirements of OAR 952-001-0010 through and including OAR 952-001-0090 (One Call Program) regarding identification and notification of underground facilities.

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Rule 43: Cross Connection/Backflow Prevention Program (OAR 860-036-1680)

All customers must comply with the Utility's Cross Connection Control Program to protect the water system from contamination. A customer's failure to comply is grounds for disconnection under OAR 860-036-1500.

The Utility will comply with the rules and regulations for the Cross Connection/Backflow Prevention Program, as provided in ORS Chapter 333 and the Utility's approved Backflow Prevention tariff or statement of rates.

Inspections will be made by certified personnel where there is reasonable cause to believe that a cross connection or a potential cross connection exists on the customer's premise.

A customer that has another water supply that cross connects with the Utility's system or has conditions that presents the possibility of contamination or pollution to the Utility's water supply, must either eliminate the cross connection or install a cross connection control device (device).

The device and its installation or the elimination of the cross connection shall be in accordance with standard practices pertaining to cross connection control approved by the Department of Human Services, the Utility, and the National Safe Drinking Water Act.

The entire cost of installation and equipment will be at the expense of the customer. Any corrective measure, disconnection, or change on the customer's property shall be at the sole expense of the person in control of said property.

The Utility shall regulate the location, installation, and testing of all devices. The Utility will inspect the installation prior to providing water service. The annual testing of the device shall be by licensed personnel. All devices in service must be tested annually. The Utility will determine the frequency of testing based upon the severity of the hazard.

Customer failure to install, maintain, and test the device(s) as required are grounds for disconnect of water service to that customer's premise(s).

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