

6/8/06

VIKIE BAILEY-GOGGINS, ADMINISTRATOR
REGULATORY OPERATIONS DIVISION
PUBLIC UTILITY COMMISSION OF OREGON
PO BOX 2148
SALEM OR 97308-2148

RE: Application for Approval to Increase Avion's Current Line of Credit with Bank of the Cascades

In Order No. 00-614, issued on October 4, 2000, the Commission increased a line of credit for Avion through Bank of the Cascades in the amount of \$300,000.

Order No. 00-614 increased a previous line of credit amount of \$150,000 that was approved in Commission Order No. 97-393, dated October 9, 1997.

The line of credit was for covering construction expenses in the months where these costs exceeded income.

Avion requests approval to amend its credit line by increasing the limit to \$600,000, an increase of \$300,000. See attached sheet for terms and conditions of the credit line. The new credit line will have exactly the same terms and conditions, just a different limit.

Avion seeks to increase this line of credit because as we have grown so has our capital improvement costs. This increase in credit line will allow Avion a smoother cash flow due to the cyclical nature of Avion's income. Our sales generally increase 600% during the summer months and this is the cash, along with SDC fees, that Avion uses for construction during the winter season. This cash flow is highly dependant on the weather which varies greatly year to year.

If you need any additional information or have clarifying questions, please contact me at (541)382-5342.

Jason Wick
Vice President
Avion Water Company Inc.
60813 Parrell Rd
Bend OR 97702

NAME OF COMPANY: Avion Water Co., Inc			REPORTING –March 31, 2006		
COMPARATIVE BALANCE SHEET - ASSETS AND OTHER DEBITS					
LINE NO.	ACCT. NO.	ACCOUNT NAME	REF. PG.	BALANCE BEGINNING OF YEAR	BALANCE END OF YEAR
(A)	(B)	(C)	(D)	(E)	(F)
UTILITY PLANT					
1		NET UTILITY PLANT (SEE NET UTILITY PLANT IN YEAR END RATE BASE SCHEDULE)	9 LINE 25		24,985,406
NONUTILITY PROPERTY & INVESTMENT					
2	121	NONUTILITY PROPERTY			-
3	122	LESS: ACCUMULATED DEPRECIATION & AMORTIZATION OF NONUTILITY PLANT			
4		NET NONUTILITY PROPERTY			-
5	123	INVESTMENT IN ASSOCIATED COMPANIES			-
6	124 125	OTHER NONUTILITY INVESTMENT			-
7		TOTAL NONUTILITY PROPERTY & INVESTMENT			-
CURRENT & ACCRUED ASSETS					
8	131	CASH			222,856
9	132	SPECIAL DEPOSITS	19		204,305
10	141	CUSTOMER ACCOUNT RECEIVABLES			187,220
	142	OTHER ACCOUNTS RECEIVABLE,	20		-
	143	ACCUMULATED PROVISIONS FOR UNCOLLECTIBLE A			-
	144	NOTES RECEIVABLE			-
11	145 146	ACCOUNTS & NOTES RECEIVABLE FROM ASSOCIATE	20		-
12	151	INVENTORY: PLANT MATERIAL & SUPPLIES			164,001
13	162	PREPAYMENTS	20		169,700
14	171	ACCRUED INTEREST & DIVIDENDS RECEIVABLE			-
15	172	RENTS RECEIVABLE & ACCRUED			-
16	174	MISCELLANEOUS CURRENT & ACCRUED ASSETS			-
17		TOTAL CURRENT & ACCRUED ASSETS			948,082
DEFERRED DEBITS					
18	181	UNAMORTIZED DEBT DISCOUNT & EXPENSE			-
19	182	EXTRAORDINARY PROPERTY LOSSES			-
20	186	MISCELLANEOUS DEFERRED DEBITS	21		-
21	190	ACCUMULATED DEFERRED INCOME TAXES (ASSET)	21		-
22		TOTAL DEFERRED DEBITS			-
23		TOTAL ASSETS AND OTHER DEBITS			25,933,488

.NAME OF COMPANY: Avion Water Co., Inc.				REPORTING March 31, 2006	
COMPARATIVE BALANCE SHEET / EQUITY CAPITAL AND LIABILITIES					
LINE NO.	ACCT. NO.	ACCOUNT NAME	REF. PG.	BALANCE BEGINNING OF YEAR	BALANCE END OF YEAR
(A)	(B)	(C)	(D)	(E)	(F)
EQUITY CAPITAL					
1	201	COMMON STOCK ISSUED	22		47,668
2	204	PREFERRED STOCK ISSUED	22		-
3	207	PREMIUM ON CAPITAL STOCK			191,670
4	211	OTHER PAID-IN CAPITAL			-
5	212	DISCOUNT ON CAPITAL STOCK			-
6	213	CAPITAL STOCK EXPENSE			-
7	214	APPROPRIATED RETAINED EARNINGS	12		-
8	215	UNAPPROPRIATED RETAINED EARNINGS	12		4,680,356
9	216	REACQUIRED CAPITAL STOCK			(75,000)
10	218	PROPRIETARY CAPITAL (PROPRIETORSHIP & PARTNERSHIP ONLY)			
11		TOTAL EQUITY CAPITAL			4,844,694
CURRENT AND ACCRUED LIABILITIES					
12	224	LONG-TERM DEBT	22		6,584,701
13	231	ACCOUNTS PAYABLE	22		326,094
14	232	NOTES PAYABLE	23		-
15	233	ACCOUNTS PAYABLE TO ASSOCIATED COMPANIES	23		-
16	234	NOTES PAYABLE TO ASSOCIATED COMPANIES	23		-
17	235	CUSTOMER DEPOSITS			7,150
18	236	ACCRUED TAXES	24		(53,146)
19	237	ACCRUED INTEREST	24		23,083
20	238	ACCRUED DIVIDENDS			-
21	241	MISCELLANEOUS CURRENT AND ACCRUED LIABILITIES	24		84,996
22		TOTAL CURRENT AND ACCRUED LIABILITIES			6,972,878
DEFERRED CREDITS					
23	251	PREMIUM ON UNAMORTIZED DEBT			-
24	252	ADVANCES FOR CONSTRUCTION	25		571,439
25	253	OTHER DEFERRED CREDIT			-
26		TOTAL DEFERRED CREDITS			571,439
CONTRIBUTIONS IN AID OF CONSTRUCTION - CIAC					
27	271	CONTRIBUTIONS IN AID OF CONSTRUCTION (CIAC)	25		14,593,438
28	272	DEDUCT: ACCUMULATED AMORTIZATION OF CIAC	25		(1,363,050)
29		TOTAL NET CIAC			13,230,388
ACCUMULATED DEFERRED INCOME TAXES					
30	281	ACCUMULATED DEFERRED INCOME TAXES-ACCELERATED	26		-
31	282	ACCUMULATED DEFERRED INCOME TAXES-LIBERALIZED	26		314,089
32	283	ACCUMULATED DEFERRED INCOME TAXES-OTHER	26		-
33		TOTAL ACCUMULATED DEFERRED INCOME TAXES	26		314,089
34		TOTAL EQUITY CAPITAL AND LIABILITIES			25,933,488

STATEMENT OF RETAINED EARNINGS

DIVIDENDS SHOULD BE SHOWN FOR EACH CLASS AND SERIES OF CAPITAL STOCK. SHOW AMOUNTS OF DIVIDENDS PER SHARE. SHOW SEPARATELY THE STATE AND FEDERAL INCOME TAX EFFECT OF ITEMS SHOWN IN ACCOUNT 439.

LINE NO. (A)	ACCT. NO. (B)	ACCOUNT NAME (C)	AMOUNTS (D)
1	215	UNAPPROPRIATED RETAINED EARNINGS (BALANCE @ BEGINNING OF MONTH)	4,812,658
2		CREDITS:	-
3		DEBITS: Correct insurance payable	(35,132)
4	435	BALANCE TRANSFERRED FROM INCOME (LINE 12, PAGE 7)	(7,170)
5	436	APPROPRIATIONS OF RETAINED EARNINGS	-
6		SUBTOTAL (ADD LINES 1, 2, 3, 4, & 5)	4,770,356
7		DIVIDENDS DECLARED:	-
8	437	PREFERRED STOCK DIVIDENDS DECLARED	-
9	438	COMMON STOCK DIVIDENDS DECLARED	90,000
10	439	CHANGES TO ACCOUNT: ADJUSTMENTS TO RETAINED EARNINGS (REQUIRES COMMISSION APPROVAL PRIOR TO USE)	-
11		TOTAL DIVIDENDS DECLARED (ADD LINES 7, 8, 9, & 10)	90,000
12		BALANCE @ 1/31/06 (LINE 6 MINUS LINE 12)	4,680,356
13	214	APPROPRIATED RETAINED EARNINGS	-
		STATE BALANCE & PURPOSE OF EACH APPROPRIATED AMOUNT AT YEAR END	
14			
15			
16			
17			
18			
19			
20			
21			
22		TOTAL APPROPRIATED RETAINED EARNINGS	-
23		TOTAL RETAINED EARNINGS (TOTAL LINES 12 & 22)	4,680,356

ACCOUNTING METHOD ACCRUAL CASH (PLEASE CHECK ONE)**COMPARATIVE OPERATING STATEMENT**

LINE NO. (A)	ACCT. NO. (B)	ACCOUNT NAME (C)	REF. PG. (D)	REPORTING YEAR (E)	PREVIOUS YEAR (F)
UTILITY OPERATING INCOME & DEDUCTIONS					
1	400	TOTAL GROSS OPERATING UTILITY REVENUE	7	1,050,944	
2	401	TOTAL OPERATING EXPENSES	8	791,531	
3	403	ANNUAL DEPRECIATION EXPENSE	15	71,720	
4	406	AMORTIZATION OF UTILITY PLANT ACQUISITION ADJUSTMENT ACQUISITION A	18	-	
5	407	AMORTIZATION EXPENSE	26	-	
6	408	TAXES OTHER THAN INCOME TAXES (TOTAL)	27	82,437	
7	409	INCOME TAXES	27	-	
8	410.10	PROVISION FOR DEFERRED INCOME TAXES (UTILITY OPERATIONS)	27	-	
9	411.10	PROVISION FOR DEFERRED INCOME TAXES (UTILITY CREDIT)	27	-	
10		TOTAL EXPENSES		945,688	
11		UTILITY OPERATING INCOME		105,256	
12	413	INCOME FROM UTILITY PLANT LEASED TO OTHERS		-	
13	414	GAINS/(LOSSES) FROM UTILITY PROPERTY DISPOSITION (N	27	(1,800)	
14		TOTAL NET UTILITY OPERATING INCOME		(1,800)	
NONUTILITY INCOME AND DEDUCTIONS					
15	415	REVENUE FROM MERCHANDISING, JOBBING, & CONTRACTS		9,055	
16	416	COST & EXPENSE OF MERCHANDISING, JOBBING, CONTRACTS		(10,150)	
17	419	INTEREST & DIVIDEND INCOME		4,463	
18	421	NONUTILITY INCOME		100	
19	426	NONUTILITY EXPENSE		(4,197)	
20		TOTAL OTHER INCOME & DEDUCTIONS		(729)	
NONUTILITY INCOME TAXES & DEDUCTIONS					
21	408.2	TAXES OTHER THAN INCOME TAX	27	-	
22	409.2	INCOME TAXES	27	-	
23	410.2	DEFERRED INCOME TAXES (NONUTILITY)	27	-	
24	411.2	PROVISION FOR DEFERRED INCOME TAXES (NONUTILITY) CREDIT	26	-	
25		TOTAL TAXES		-	
26	427	INTEREST EXPENSE		(109,897)	
27	433 434	EXTRAORDINARY INCOME AND DEDUCTIONS (NET)	28	-	
28		TOTAL INTEREST & EXTRAORDINARY INCOME & DEDUCTIONS		(109,897)	
29		NONUTILITY NET INCOME /(LOSS)		(7,170)	

WATER UTILITY EXPENSE ACCOUNTS

LINE NO. (A)	ACCT NO. (B)	ACCOUNT NAME (C)	AMOUNT FOR YEAR (D)	PRECEDING YEAR (E)
1	601	SALARIES AND WAGES - EMPLOYEES	216,049	
2	603	SALARIES AND WAGES - OFFICERS, DIRECTORS, AND MAJORITY STOCKHOLDERS	67,418	
3	604	EMPLOYEE PENSIONS & BENEFITS	93,478	
4	610	PURCHASED WATER	30,831	
	611	TELEPHONE/COMMUNICATIONS	4,061	
5	615	PURCHASED POWER	64,068	
	617	UTILITIES - OTHER	220	
8	619	OFFICE SUPPLIES	13,034	
		(619.1 POSTAGE)	1,035	
9	620	MATERIALS & SUPPLIES (O&M)	69,078	
10	621	REPAIRS TO WATER PLANT	-	
11	631	CONTRACTUAL SERVICES - ENGINEERING	2,980	
12	632	CONTRACTUAL SERVICES - ACCOUNTING	678	
13	633	CONTRACTUAL SERVICES - LEGAL	7,274	
14	634	CONTRACTUAL SERVICES - MANAGEMENT	-	
15	635	CONTRACTUAL SERVICES - TESTING / SAMPLING	6,883	
16	636	CONTRACTUAL SERVICES - LABOR	26,777	
	637	CONTRACTUAL SERVICES - BILLING/COLLECTION	17,828	
	638	CONTRACTUAL SERVICE - METER READING	5,013	
	639	CONTRACTUAL SERVICES - OTHER	7,251	
17	641	RENTAL OF BUILDING / REAL PROPERTY	3,751	
18	642	RENTAL OF EQUIPMENT	190	
	643	SMALL TOOLS	143	
	648	COMPUTER EXPENSES	24,633	
19	650	TRANSPORTATION EXPENSES	24,620	
20	656	INSURANCE - VEHICLE	4,834	
21	657	INSURANCE - GENERAL LIABILITY	22,214	
22	658	INSURANCE - WORKMAN'S COMPENSATION	6,893	
23	659	INSURANCE - OTHER	18,261	
24	660	PUBLIC RELATION / ADVERTISING EXPENSE	480	
25	666	AMORTIZATION OF RATE CASE EXPENSE	-	
26	667	REGULATORY COMMISSION FEE (GROSS REV FEE)	11,609	
27	668	WATER RESOURCE CONSERVATION EXPENSE	4,498	
28	670	BAD DEBT EXPENSE	6,231	
29	671.1	CROSS CONNECTION CONTROL PROGRAM EXPENSE	13,652	
30	671.2	CROSS CONNECTION TESTING & MAINT SERVICES	3,844	
31	672	SYSTEM CAPACITY DEVELOPMENT PROGRAM EXP	-	
32	673	TRAINING & CERTIFICATION EXPENSE	10,855	
33	675	MISCELLANEOUS EXPENSE	867	
		TOTAL OPERATING EXPENSE	791,531	

Avion Water Company, Inc.
Statement of Cash Flows
For the Three Months Ended March 31, 2006

Cash flows - Operating Activities

Net Loss \$ (7,170.00)

Items to reconcile net income to cash provided by operating activities:

Depreciation	176,570.00
Amortization of CIAC	(104,850.00)
Accounts receivable	(26,513.00)
Inventory	7,370.00
Prepaid assets	(51,104.00)
Accounts payable	135,968.00
Customer deposits	450.00
Accrued taxes	53,146.00
Misc. current and accrued liabilities & interest	<u>(15,845.00)</u>

Cash provided by operating activities 168,022.00

Cash flows - Investing Activities

Additions to property, plant and equipment	(523,001.00)
Additions to CIAC	<u>128,501.00</u>

Cash used by investing activities (394,500.00)

Cash flows - Financing Activities

Repayment of long term debt	(153,236.00)
Dividends paid to shareholders	(90,000.00)
Increase in investments	<u>(1,880.00)</u>

Cash used by financing activities (245,116.00)

Net change in cash (471,594.00)

Cash - beginning of year 694,450.00

Cash - end of year \$ 222,856.00

Avion Water Company, Inc.
Statement of Cash Flows
For the Year Ended December 31, 2005

Cash flows - Operating Activities

Net Income \$ 664,415

Items to reconcile net income to cash provided by operating activities:

Depreciation	659,360
Amortization of CIAC	(419,400)
Income tax expense accrual	516,037
Loss on disposal of asset	293
Accounts receivable	(7,231)
Inventory	(34,653)
Prepaid assets	(26,197)
Accounts payable	132,917
Customer deposits	975
Accrued taxes	(1,437)
Misc. current and accrued liabilities & interest	12,092
Deferred income taxes	(64,393)

Cash provided by operating activities 1,432,778

Cash flows - Investing Activities

Additions to property, plant and equipment	(4,511,691)
Additions to CIAC	4,290,046
Disposal of equipment	2,500

Cash used by investing activities (219,145)

Cash flows - Financing Activities

Repayment of long term debt	(611,480)
Dividends paid to shareholders	(387,033)
Increase in investments	(9,389)

Cash used by financing activities (1,007,902)

Net change in cash 205,731

Cash - beginning of year 488,719

Cash - end of year

\$ 694,450